锅圈食汇
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鍋圈食品(上海)股份有限公司
GUOQUAN FOOD (SHANGHAI) CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2517

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators,
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL

CICC 中金公司

Other Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

招银国际 CMB INTERNATIONAL

中州國際 CENTRAL CHINA INTERNATIONAL

Other Joint Lead Managers

廣發証券(香港) GF SECURITIES (HONG KONG)

LIGHTHOUSE FINANCIAL 光源金融

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

GUOQUAN FOOD (SHANGHAI) CO., LTD.
鍋圈食品(上海)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**68,802,800 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**6,880,800 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**61,922,000 H Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**HK$5.98 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**2517**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL　　CICC 中金公司

Other Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL　　中州國際 CENTRAL CHINA INTERNATIONAL

Other Joint Lead Managers

廣發証券(香港) GF SECURITIES (HONG KONG)　　LIGHTHOUSE FINANCIAL 光源金融

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price will be HK$5.98. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK$5.98 for each Hong Kong Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.0027%, a Hong Kong Stock Exchange trading fee of 0.00565% and an AFRC transaction levy of 0.00015%.

The Overall Coordinators, for themselves and on behalf of the Underwriters, and with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of the Company at www.zzgqsh.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Regulatory Overview", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "*Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination*" of this prospectus.

The Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. The Offer Shares may be offered, sold or delivered (i) in the United States solely to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the Securities Act or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; or (ii) outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.zzgqsh.com**. If you require a printed copy of this document, you may download and print from the website addresses above.

October 20, 2023

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.zzgqsh.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this document for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
400	2,416.12	10,000	60,403.08	90,000	543,627.75	800,000	4,832,246.65
800	4,832.25	12,000	72,483.70	100,000	604,030.84	900,000	5,436,277.46
1,200	7,248.37	14,000	84,564.32	120,000	724,837.00	1,000,000	6,040,308.30
1,600	9,664.49	16,000	96,644.93	140,000	845,643.16	1,200,000	7,248,369.95
2,000	12,080.62	18,000	108,725.55	160,000	966,449.33	1,400,000	8,456,431.62
2,400	14,496.74	20,000	120,806.17	180,000	1,087,255.49	1,600,000	9,664,493.28
2,800	16,912.87	30,000	181,209.25	200,000	1,208,061.65	1,800,000	10,872,554.95
3,200	19,328.99	40,000	241,612.33	300,000	1,812,092.49	2,000,000	12,080,616.60
3,600	21,745.11	50,000	302,015.41	400,000	2,416,123.32	2,400,000	14,496,739.92
4,000	24,161.24	60,000	362,418.50	500,000	3,020,154.16	2,800,000	16,912,863.25
6,000	36,241.85	70,000	422,821.58	600,000	3,624,184.98	3,440,400[1]	20,781,076.68
8,000	48,322.46	80,000	483,224.67	700,000	4,228,215.81		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on our website at **www.zzgqsh.com** and the website of the Stock Exchange at **www.hkexnews.hk.***

Hong Kong Public Offering commences . . . . .9:00 a.m. on Friday, October 20, 2023

Latest time for completing electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Thursday, October 26, 2023

Application lists open[3] . . . . .11:45 a.m. on Thursday, October 26, 2023

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] .12:00 noon on Thursday, October 26, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3] . . . . .12:00 noon on Thursday, October 26, 2023

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Offer Shares on our website at **www.zzgqsh.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before . . . . Wednesday, November 1, 2023

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at **www.zzgqsh.com** and **www.hkexnews.hk**, respectively . . . . Wednesday, November 1, 2023

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . .8:00 a.m. on Wednesday, November 1, 2023 to 12:00 midnight on Tuesday, November 7, 2023

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from . . . . Wednesday, November 1, 2023 to Monday, November 6, 2023 (except Saturday, Sunday and public holiday in Hong Kong)

H Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before[7][9] . . . . Wednesday, November 1, 2023

White Form e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched/collected on or before[8][9] . . . . Wednesday, November 1, 2023

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, November 2, 2023

Notes:

(1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 26, 2023, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying Through CCASS EIPO Service".

(5) None of the websites set out in this section or any of the information contained on the websites forms part of this document.

(6) No temporary document of title will be issued in respect of the Offer Shares. H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance

with their respective terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(8) Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 1, 2023 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed "How to Apply for Hong Kong Offer Shares – G. Despatch/Collection of H Share Certificates/e-Refund Payment Instructions/Refund Checks – Personal Collection – If you apply through CCASS EIPO service" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund check(s) by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant application instructions.

Further information is set out in sections headed "How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – G. Despatch/Collection of H Share Certificates/e-Refund Payment Instructions/Refund Checks".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will publish an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

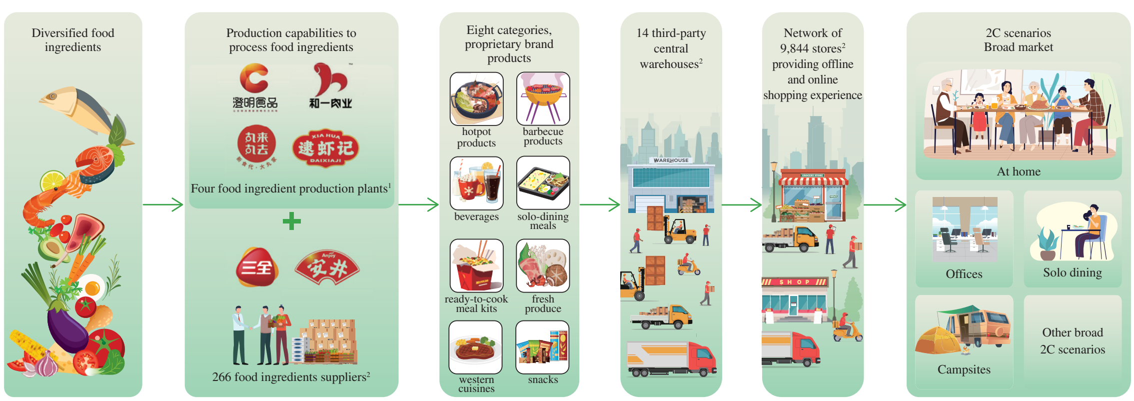
*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at **www.zzgqsh.com**, does not form part of this prospectus.*

Page

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the leading and a rapidly growing home meal products brand in China. We offer a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. With a carefully curated product portfolio and an extensive network of community-based stores, we enable consumers to enjoy meals at home with convenience, affordability and tastiness. Leveraging our robust supply chain and production capabilities, we offer a wide variety of home meal products under the Guoquan Shihui (鍋圈食匯) brand through a nationwide network of 9,844 retail stores in China as of April 30, 2023, serving diverse dining scenarios. Our business model is illustrated by the following diagram:



Notes:

1. As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for the production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products

2. As of April 30, 2023

We are the leading one-stop home meal products brand in China, ranking first among all retailers in China in 2022 in terms of retail sales value of home meal products, with a market share of 3.0% in China, according to Frost & Sullivan. Home meal products include ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients. We strategically entered into China's home meal products market specializing in at-home hotpot and barbecue products and were the largest at-home hotpot and barbecue brand in China in 2022 in terms of retail sales value, according to Frost & Sullivan.

We established the largest one-stop home meal products retail store network in China as of December 31, 2022 in terms of number of retail stores, according to Frost & Sullivan. Leveraging on such store network, we offer both online and offline shopping experience and amassed over 100 million orders in 2022 alone. Our network of retail stores across China further increased from 9,221 as of December 31, 2022 to 9,844 as of April 30, 2023.

We are also devoted to developing products under our proprietary brand name carrying the Guoquan Shihui logo. As the leading one-stop home meal products brand in China, we are well positioned to capture the significant growth potential in China's home meal products market. We offer tasty, convenient and affordable home meal products underpinned by high quality food ingredients that have an immense potential for creating new and diverse products, to cater to different dining scenarios. Our product portfolio comprises eight categories including hotpot products, barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks, totaling 710 SKUs as of April 30, 2023, with approximately 95% of our nationally available SKUs under our proprietary brand carrying the Guoquan Shihui logo.

We have established a store network primarily comprising franchised stores. Under our franchise business model, we derive substantially all of our revenue from the sale of our products to franchisees, who open and operate franchised stores under our brand and sell our products to consumers. We enter into franchise agreements with franchisees granting them the right to operate franchised stores carrying our brand and trademarks. We do not charge or rely on franchise fees. In selecting our franchisees, we take into account their industry experience, financial circumstances, recognition of our value and management philosophy and their passion and long-term commitment towards operating our franchised stores. In addition, as of April 30, 2023, we had six self-operated stores for the purpose of providing a model for franchised stores as well as acting as pilot programs for innovative store operation and management strategies and tools, marketing activities, digital tools and new decoration styles, among others, before introducing them to our franchised stores. As of April 30, 2023, we established a network of 9,844 stores under our Guoquan Shihui brand in China, covering 29 provinces, autonomous regions and municipalities.

We have also been developing online sales channels including our Guoquan APP, WeChat mini-program as well as on popular social commerce platforms such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan and Ele.me to deliver our products to consumers. Leveraging the highly efficient management and operation of our supply chain and our digitalized management system, we are able to ensure product quality and safety, as well as achieve high operational efficiency from food production to retail sales.

We experienced significant growth during the Track Record Period. Our total revenue increased by 33.5% from RMB2,964.7 million in 2020 to RMB3,957.8 million in 2021 and further by 81.2% to RMB7,173.5 million in 2022. For the four months ended April 30, 2023, we achieved a total revenue of RMB2,078.2 million. Our gross profit increased by 7.9% from RMB329.3 million in 2020 to RMB355.3 million in 2021, and further by 251.5% to RMB1,249.0 million in 2022, and increased by 47.7% from RMB297.5 million for the four months ended April 30, 2022 to RMB439.3 million for the same period in 2023. Our gross profit margin was 11.1%, 9.0%, 17.4%, 13.8% and 21.1% in 2020, 2021 and 2022 and for the four months ended April 30, 2022 and 2023, respectively. Our significant growth has enabled us to capitalize on the advantages of economies of scale. This has been accomplished through our rapid expansion of store network, our focus on cost optimization, elevated brand recognition and our efforts to further advance our digitalization initiatives and improved operating efficiency from food production to retail sales. As a result of these efforts, we broke even in 2022 with a net profit of RMB241.0 million and continued to record a net profit of RMB119.6 million for the four months ended April 30, 2023.

OUR MARKET OPPORTUNITIES

The dining tables of Chinese people are traditionally an important place for families to dine and for people to have close exchanges with one another. At present, people principally dine in four ways, namely (i) buying groceries to cook at home, (ii) dining at restaurants, (iii) having food delivered from restaurants, and (iv) enjoying home meal products. China's dining market grew at a CAGR of 7.8% since 2018, reaching a market size of RMB9,315.1 billion in 2022. With the development of China's economy as well as changes in people's lifestyles and consumption patterns, although the first three dining options remain to be the predominant dining options among Chinese people, home meal products are gaining traction as an emerging option, growing at a CAGR of 25.5% from 2018 to RMB367.3 billion in 2022.

Home meal products as the fourth dining option aim to strike the balance between nutrition, taste, hygiene and efficiency. Home meal products include ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients. Consumers can see and tailor what ingredients and flavors go into what they eat and can easily prepare a meal with minimal cooking skills. As different dining scenarios can be satisfied and a wide variety of foods and cuisines can be offered, meeting a wide range of dining demand, this option has become more prominent and is expected to be the fastest growing segment of China's dining industry from 2022 to 2027, although its market size is expected to remain smaller than those of the other three dining options, according to Frost & Sullivan.

The home meal products market had a size of RMB367.3 billion in 2022, accounting for 6.5% of China's home dining market in 2022. The home meal products market in China is highly fragmented, with both domestic and international players competing for market share, making it challenging for market players to differentiate products and establish unique value propositions. We aim to differentiate ourselves from other market players by specializing in proprietary brand home meal products with a focus on at-home hotpot and barbecue products and establishing an extensive community-based store network.

OUR BRAND AND PRODUCTS

We operate our business under the Guoquan Shihui brand ("鍋圈食匯"), offering diversified, tasty, convenient and affordable ("好吃方便還不貴") home meal products in a one-stop shop manner for consumers across a wide range of dining scenarios. Our product portfolio comprises eight categories including hotpot products, barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks, totaling 710 SKUs as of April 30, 2023, with approximately 95% of our nationally available SKUs under our proprietary brand carrying the Guoquan Shihui logo.

The following table sets forth our revenue breakdown from the sale of our products by category for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentage)									
							(Unaudited)			
Hotpot products	**2,389,863**	**81.9**	**3,091,345**	**79.7**	**5,352,027**	**75.8**	**1,670,137**	**78.5**	**1,518,322**	**74.8**
– Meats	691,880	23.7	881,995	22.7	1,507,886	21.4	481,099	22.6	404,169	19.9
– Meatballs and pastes	580,233	20.0	777,410	20.0	1,372,387	19.4	427,908	20.1	389,393	19.2
– Hotpot soup base	302,240	10.4	372,496	9.6	678,573	9.6	204,931	9.6	211,616	10.4
– Other hotpot products[1]	815,510	27.8	1,059,444	27.4	1,793,181	25.4	556,199	26.2	513,144	25.3
Barbecue products	**170,486**	**5.8**	**294,157**	**7.6**	**714,223**	**10.1**	**218,536**	**10.3**	**248,754**	**12.3**
Others[2]	**357,589**	**12.3**	**494,702**	**12.7**	**992,524**	**14.1**	**238,504**	**11.2**	**262,951**	**12.9**
Total	**2,917,938**	**100.0**	**3,880,204**	**100.0**	**7,058,774**	**100.0**	**2,127,177**	**100.0**	**2,030,027**	**100.0**

Notes:

(1) Other hotpot products mainly include beef tripe, bean curd products, seafood, poultry and starch noodles.

(2) Others mainly include food products such as beverages, solo-dining meals and ready-to-cook meal kits.

OUR SALES CHANNELS AND STORE NETWORKS

As of April 30, 2023, we established a network of 9,844 stores under our brand in China, comprising 9,838 franchised stores and six self-operated stores.

During the Track Record Period, we derived substantially all of our revenue from the sales of our proprietary brand products primarily comprising hotpot and barbecue products to our franchisees, who operate franchised stores under our brand and sell our products to consumers. We enter into franchise agreements with franchisees granting them the right to operate franchised stores carrying our brand and trademarks. We do not charge or rely on franchise fees. In selecting our franchisees, we take into account their industry experience, financial circumstances, recognition of our value and management philosophy and their passion and long-term commitment towards operating our franchised stores. The other sales channels primarily comprise (i) direct sales of our proprietary brand products to end consumers via our self-operated stores, (ii) sales of processed products by our self-operated plants to enterprise customers, and (iii) sales of processed meat parts to certain food wholesalers.

The table below sets forth our revenue breakdown by nature and channels in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						*(Unaudited)*			
Product sales	**2,917,938**	**98.4**	**3,880,204**	**98.0**	**7,058,774**	**98.4**	**2,127,177**	**98.5**	**2,030,027**	**97.7**
Sales to franchisees	2,910,129	98.2	3,727,859	94.2	6,476,687	90.3	2,011,282	93.1	1,821,511	87.6
Other sales channels(1)	7,809	0.2	152,345	3.8	582,087	8.1	115,895	5.4	208,516	10.1
Operational support services(2)	**46,805**	**1.6**	**77,600**	**2.0**	**114,683**	**1.6**	**32,449**	**1.5**	**48,207**	**2.3**
Total	**2,964,743**	**100.0**	**3,957,804**	**100.0**	**7,173,457**	**100.0**	**2,159,626**	**100.0**	**2,078,234**	**100.0**

Notes:

(1) Other sales channels primarily include (i) sales to enterprise customers, including food wholesalers, supermarkets, restaurants and other enterprises; and (ii) direct sales to end consumers.

(2) We collect annual operational support service fee from each franchisee at a fixed amount for the support we provide to our franchisees such as training, guidance, branding, marketing and logistical support.

During the Track Record Period, our franchised store network grew rapidly. The total number of our franchised stores increased from 1,441 as of January 1, 2020 to 9,838 as of April 30, 2023. Despite the rapid expansion of our franchised store network across China, our strong continued support for our franchisees has resulted in a franchised store closure rate as low as 3.0% for 2022.

The following table sets forth the movement of our franchised stores during the Track Record Period:

	Year ended December 31,			Four Months ended April 30,
	2020	2021	2022	2023
Number of franchised stores at the beginning of the period	1,441	4,296	6,864	9,216
Number of new franchised stores opened during the period	2,883	2,762	2,631	754
Number of franchised stores closed during the period	28	194	279	132
Net increase in number of franchised stores for the period	2,855	2,568	2,352	622
Number of franchised stores at the end of the period	**4,296**	**6,864**	**9,216**	**9,838**

In addition, as of April 30, 2023, we had six self-operated stores for the purpose of providing a model for franchised stores as well as acting as trial sites for innovative store operation and management strategies and tools, marketing activities, digital tools and new decoration styles, among others, before introducing them to our franchised stores.

To empower franchisees and facilitate their sales growth as well as further our consumer reach and offer more flexible shopping experience, we have established multiple online channels, including (i) partnering with third-party food delivery platforms such as Meituan and Ele.me, (ii) our Guoquan APP and WeChat mini-program, and (iii) Douyin.

PRODUCTION AND SUPPLIERS

Adopting our one-product-one-factory model, we have strategically acquired food ingredient production capabilities to achieve stronger control over the production and supply of our staple products. As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products, in order to have better control of the production and supply of our major products.

In addition, to maximize production efficiency and broaden our product portfolio, we also engage reliable suppliers to produce our other products. To ensure the food quality of these products, we procure raw materials from external suppliers and sell such ingredients to certain food product manufacturers that further process and produce shrimp paste, beef and lamb products. We subsequently purchase processed products from these manufacturers which became our suppliers. See "Business — Overlapping of Customers and Suppliers."

Our suppliers mainly include suppliers for food products, raw materials and warehousing and logistic services. We believe that our stable relationship with suppliers builds a strong foundation for our robust supply chain and high-quality products. As of April 30, 2023, we collaborated with 266 food ingredients suppliers, including renowned and household brand names such as Anjoy and Sanquan. We expand and upgrade our product portfolio frequently to meet evolving trends and consumer demands through our own R&D center as well as two collaborative R&D centers with our suppliers.

Purchases from our largest supplier in each year during the Track Record Period amounted to RMB206.7 million, RMB286.7 million, RMB445.3 million and RMB103.5 million, accounting for 6.4%, 7.8%, 7.0% and 8.6%, respectively, of our total purchase amount during the respective period. Purchases from our top five largest suppliers for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023 accounted for 24.6%, 24.5%, 23.3% and 26.1%, respectively, of our total purchase amount during those periods.

CUSTOMERS

During the Track Record Period, a significant majority of our customers are our franchisees. Revenue from our top five largest customers for the fiscal years ended December 31, 2020, 2021, and 2022 and the four months ended April 30, 2023 accounted for 2.3%, 1.9%, 4.0% and 4.2%, respectively, of our total revenue during the same periods. We have a large customer base and we do not rely on any single customer. We generally require our franchisees to pay in advance before we deliver the products to them. We provide certain enterprise customers with a credit term up to 180 days subject to the creditworthiness of the relevant customers.

OUR STRENGTHS

We believe the following competitive strengths have contributed to our success and distinguished us from our competitors:

- China's leading and rapidly growing home meal products brand, catering to the people's dining needs at home;
- Home meal products with value-for-money and variety, improving the efficiency of at-home meal preparation;
- Largest home meal products retail store network in China fostering a lively community that brings convenience to people's lives;
- Streamlined supply chain management and operation enabling cost optimization and ensuring product quality and safety;
- Digitalized management systems to achieve high operational efficiency; and
- Visionary management team with rich industry experience and knowledge leading the successful development of our business and corporate culture.

OUR STRATEGIES

With a vision to be the go-to brand for dining at home in China, we uphold the mission to source quality food ingredients globally and offer diverse, convenient, high-quality and value-for-money home meal products in a one-stop shop manner to meet consumers' diverse needs under different dining scenarios, from urban centers to the most remote areas of China.

To achieve our vision and further solidify our market leadership, we intend to pursue the following strategies:

- Expand and deepen our omni-channel sales network to further our direct reach to consumers;
- Continually extend to more consumption scenarios such as campsite dining and solo-dining to further cater to consumer needs;
- Strengthen our R&D and upstream supply chain to expand product offerings to reinforce our core competitive edges;
- Enhance digitalization to continuously increase overall operational efficiency and revenue, while ensuring food safety; and
- Continue to enhance our brand image and marketing efforts to increase consumer reach and stickiness.

COMPETITION

We operate in a competitive and fragmented market. According to the Frost & Sullivan Report, the aggregate market share of the top five players of China's home meal products market accounted for approximately 11.1% of the market share by retail sales value in 2022. We compete with a broad range of competitors in the industry, including domestic and international retailers of home meal products. See "Industry Overview — Competitive Landscape of China's Home Meal Products Market." We compete with these industry players for high-quality suppliers, consumers, store locations and corporate operation talents.

We believe that our competitive advantages include the successful implementation of our store network expansion strategy, and our ability to continuously source high-quality food ingredients and raw materials, to expand product portfolio, and to enhance our operational efficiency. According to the Frost & Sullivan Report, we were the largest home meal products retailer in China in terms of retail sales value in 2022, accounting for 3.0% of total market share in China.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Yang, Mr. Meng and Mr. Li, by virtue of the concert party agreement among them, were collectively interested in approximately 33.01% of our total issued share capital through Guoquan Industry (Shanghai) Co. Ltd. (鍋圈實業(上海)有限公司) ("**Guoquan Industry**"), and Mr. Yang was also interested in approximately 12.42% and 3.21% of our total issued share capital through Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) (上海鍋小圈企業管理中心(有限合夥)) ("**Guoxiaoquan EM**") and Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) (上海鍋小圈農業科技服務中心(有限合夥)) ("**Guoxiaoquan Tech**") respectively. As such, Mr. Yang, Mr. Meng and Mr. Li were indirectly interested in a total of approximately 48.64% of our total issued share capital.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option are not exercised), Mr. Yang, Mr. Meng and Mr. Li will be entitled to exercise or control the exercise of an aggregate of approximately 47.42% of the voting power at general meetings of our Company. Therefore, Mr. Yang, Mr. Meng, Mr. Li, Guoquan Industry, Guoxiaoquan EM and Guoxiaoquan Tech will constitute a group of Controlling Shareholders of our Company under the Listing Rules. For further information, see "Relationship with Our Controlling Shareholders."

PRE-IPO INVESTORS

We received multiple series of equity financing from our Pre-IPO Investors to support our expanding business operations from 2019 to 2022. Our Pre-IPO Investors include experienced investors who can share their experience on brand building and market expansion as well as their insight on business strategies and operations, their professional advice on our Group's corporate governance and internal control. The Pre-IPO Investments included (i) Series Pre-A Financing from which we received approximately RMB70.0 million; (ii) Series A Financing from which we received approximately RMB253.0 million; (iii) Series B Financing from which we received approximately RMB388.2 million; (iv) Series C-1 Financing from which we received approximately RMB1,857.0 million and (v) Series C-2 Financing from which we received approximately RMB261.8 million, which was settled by the Series C-2 Financing Investors transferring 74.80% equity interest of Luyi Chengming, with reference to its appraised value, to our Company. As of the Latest Practicable Date, our Pre-IPO Investors consisted of Buyue Ertong, Buqi Zhiqi, Chengdu Quanyi, Famous Wealthy, Generation One, Suzhou Yizhong, Generation Pi HK, Buhuovc Platinum, Lighthouse, Chongqing Langyao, Mr. Wang Hongbo, Titanium, Tiantu Fund, Oakwise, Shenzhen Tongfu, Shenzhen Xintonglu, Moutai Fund, Top New, Chunyu Feifei, Renzhe Buyou, CMB Growth and Zhuhai Gongying, which held approximately 4.23%, 0.96%, 6.60%, 8.55%, 5.20%, 1.80%, 3.84%, 2.05%, 0.79%, 7.22%, 0.47%, 2.21%, 1.65%, 0.71%, 1.10%, 1.10%, 0.43%, 0.98%, 1.28%, 0.15%, 0.06% and 0.01%, respectively, of the total issued share capital of our Company. For further information, see "History, Development and Corporate Structure — Pre-IPO Investments."

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See "Connected Transactions" and "Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Non-Exempt Continuing Connected Transactions" for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth selected information from our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes. The results of operations in any period are not necessarily indicative of our future trends.

	Year ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Revenue	**2,964,743**	**3,957,804**	**7,173,457**	**2,159,626**	**2,078,234**
Cost of sales	(2,635,484)	(3,602,520)	(5,924,496)	(1,862,168)	(1,638,968)
Gross profit	**329,259**	**355,284**	**1,248,961**	**297,458**	**439,266**
Selling and distribution expenses	(220,134)	(629,440)	(624,577)	(219,421)	(184,708)
Administrative expenses	(161,441)	(355,676)	(403,686)	(124,744)	(142,782)
Profit/(Loss) before tax	**(43,183)**	**(596,468)**	**332,042**	**(34,896)**	**163,540**
Income tax (expense)/credit	(109)	135,607	(91,060)	9,875	(43,946)
Profit/(Loss) for the period	**(43,292)**	**(460,861)**	**240,982**	**(25,021)**	**119,594**
Profit/(Loss) attributable to					
Owners of the parent	(43,292)	(461,990)	229,907	(30,956)	110,397
Non-controlling interests	—	1,129	11,075	5,935	9,197

NON-IFRS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit/(loss) as additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit/(loss) (non-IFRS measure) as net profit/(loss) for the period adjusted by adding back share-based payment expenses and listing expenses.

The following table reconciles our adjusted net profit/(loss) (non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which is net profit/(loss) for the period:

	Year ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit/(loss)					
Profit/(loss) for the period	(43,292)	(460,861)	240,982	(25,021)	119,594
Adjusted:					
Share-based payment expenses(1)	16,415	10,262	4,604	1,535	—
Listing expenses(2)	—	—	11,199	—	11,588
Adjusted net profit/(loss) (non-IFRS measure)	(26,877)	(450,599)	256,785	(22,065)	131,182

Notes:

(1) Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

(2) Listing expenses mainly relate to the Global Offering.

We achieved continuous revenue growth during the Track Record Period, primarily attributable to (i) our expansion of franchised store network, with the number of franchised stores increasing from 1,441 as of December 31, 2019 to 4,296 as of December 31, 2020, and further from 6,864 as of December 31, 2021 to 9,216 as of December 31, 2022 and further to 9,838 as of April 30, 2023, and (ii) our continuous efforts to launch new products and upgrade existing ones to satisfy the diverse needs of a wider group of consumers.

The following table sets forth our gross profit both in amounts and as percentages of revenue, or gross profit margin, by nature for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Sales of home meal products and related products	**282,454**	**9.7**	**277,684**	**7.2**	**1,134,278**	**16.1**	**265,009**	**12.5**	**391,059**	**19.3**
Hotpot products	229,350	9.6	226,053	7.3	991,349	18.5	218,032	13.1	333,840	22.0
Barbecue products	16,455	9.7	19,610	6.7	100,488	14.1	26,042	11.9	42,438	17.1
Others[(1)]	36,649	10.2	32,021	6.5	42,441	4.3	20,935	8.8	14,781	5.6
Operational support services[(2)]	**46,805**	**100.0**	**77,600**	**100.0**	**114,683**	**100.0**	**32,449**	**100.0**	**48,207**	**100.0**
Total	**329,259**	**11.1**	**355,284**	**9.0**	**1,248,961**	**17.4**	**297,458**	**13.8**	**439,266**	**21.1**

Notes:

(1) Others mainly include food products such as beverages, solo-dining meals, ready-to-cook meal kits, among others.

(2) As there is no cost recorded in connection with the provision of operational support services, the gross profit margin of this component was 100.0%.

Our gross profit increased during the Track Record Period, and our gross profit margin generally showed an upward trend, being 11.1%, 9.0%, 17.4% and 21.1% in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. Our gross profit and gross profit margin are mainly affected by (i) our ability to control the cost of sales and maintain a stable level of procurement price; the number of suppliers that provided purchase rebates to us increased significantly during the Track Record Period; (ii) our continuous efforts to launch new products and upgrade the existing one with relatively higher margin; for example, we improved our beef, meatball and tripe products with various flavors to meet more diverse customer demands, and a substantial portion of these new products were with higher gross profit margin in these categories; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers; (iii) the promotional events with franchisees to support the franchised store network expansion and build our brand awareness; and (iv) consolidating additional profits generated by production facilities we acquired.

In particular, our gross profit margin decreased slightly from 11.1% in 2020 to 9.0% in 2021, mainly attributable to the increased spending on enhanced promotional efforts to improve our brand influence, so as to support our rapid store network expansion. We conducted promotional activities for franchisees on the “517” shopping day, during which we sold certain selected products at more favorable prices to franchisees. In 2021, we also offered discounts to the sales of our products to eligible franchisees who opened new stores for their first purchase orders. Subsequently, our gross profit margin improved from 9.0% in 2021 to 17.4%

in 2022, mainly attributable to (i) products of higher margin, such as black beef tripe and thinly sliced lamb for hotpot and pork belly and skewers for barbecue; (ii) improved procurement cost-effectiveness of raw materials and food products due to economies of scale and brand awareness (for instance, the procured volume of beef products increased from approximately 9,800 tons in 2021 and further to 17,000 tons in 2022); and (iii) improved manufacturing costs due to the acquisition of our self-operated production facilities.

Our overall revenue decreased slightly from RMB2,159.6 million to RMB2,078.2 million, primarily because the sales of hotpot products were higher in the first four months of 2022, which was partially attributable to that people dined out more frequently after the pandemic subsided. Such slight decrease in revenue was offset by the improved gross profit margin. Our gross profit margin improved from 13.8% in the four months ended April 30, 2022 to 21.1% in the four months ended April 30, 2023, primarily due to (i) the decrease in cost of sales; and (ii) the launch of new or upgraded hotpot and barbecue products with relatively higher margins; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers.

As our brand awareness is enhanced and our procurement volumes increased from the expanding store network, our bargaining power with suppliers was strengthened and we obtained more favorable terms. To further cement our control over supply chain and manage the costs of inventories sold, we acquired three production plants, namely Heyi Plant, Wanlai Wanqu Plant and Chengming Plant, to process beef, and produce meatballs and hotpot soup base. As a result of self-producing a portion of our main products, we enjoyed lower unit costs as compared to procuring from third-party suppliers.

We recorded net loss in 2020 and 2021, mainly attributable to (i) the selling and distribution expenses resulting from the increase in the number of operation and store management staff and our enhanced marketing activities, and (ii) the increase in administrative expenses primarily driven by the increased employee benefits from the expansion of our administrative team. We recorded a net profit in 2022 and the four months ended April 30, 2023, as we had a significant increase in revenue from the fast expansion of our store network, and a substantial improvement in our operational efficiencies resulting from (i) cost control capabilities benefiting from our growing procurement volumes and enhanced economies of scale, (ii) our increasingly recognized brand, which enabled us to optimize selling and distribution expenses, and (iii) our digitalization efforts resulting in better human resource efficiency. Specifically, as our store network expanded from 6,868 as of December 31, 2021 to 9,221 as of December 31, 2022, we benefited from the economies of scale from our store network expansion which further enhanced our brand awareness and led to larger procurement volumes which resulted in strong bargaining power with suppliers, thereby achieving better procurement cost control. We upgraded existing products and releasing new products with relatively higher margin, and provided fewer promotional events to our franchisees in 2022 than in 2021 as we had established a mature sales network and strengthened our brand awareness. Furthermore, we began sourcing some of our main products such as beef tripe and beef balls from our self-operated production facilities at lower prices compared to procuring from third-party suppliers. In addition, our selling and distribution expenses as a percentage of revenue decreased from 15.9% in 2021 to 8.7% in 2022, primarily due to (a) the decrease of our advertising and promotion expenses as a result of reduced advertisements and promotional events in 2022 as our sales network matured and brand awareness strengthened and (b) the decrease in employee benefit expenses as a percentage of revenue partly attributed to our digitalization efforts including video supervision of stores and digitalized store opening process resulting in the average number of stores managed by each staff of our store operations team increasing from 3.2 as of December 31, 2020 to 10.7 as of December 31, 2022. Our administrative expenses as a percentage of revenue also decreased from 9.0% in 2021 to 5.6%

in 2022 partly attributing to decreased employee benefit expenses as a percentage of revenue due to enhanced digitalized management and operational efficiency. Lastly, the additional profits generated by our acquired production facilities contributed to our overall net profits.

Selected Items from the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Total current assets	1,068,594	1,957,192	2,409,028	2,071,796
Total current liabilities	488,016	583,358	1,303,017	804,138
Total non-current assets	106,673	762,556	1,671,642	1,636,805
Total non-current liabilities	16,872	21,664	88,102	99,462
Net current assets	580,578	1,373,834	1,106,011	1,267,658
Non-controlling interests	—	25,504	95,103	104,487
Net assets	670,379	2,114,726	2,689,551	2,805,001

Our net current assets increased from RMB1,106.0 million as of December 31, 2022 to RMB1,267.7 million as of April 30, 2023, primarily due to (i) a decrease of RMB381.8 million in trade payables arising from our settlement of the trade payables that were related to the procurement of raw materials and food products that typically prepared for our peak season from October to February next year; (ii) a decrease of RMB113.4 million in other payables and accruals attributable to the payment of year-end bonuses to our employees and the settlement of accrued expenses, other tax payables and other payables for property plant and equipment; and (iii) an increase of RMB160.2 million in financial assets at fair value through profit or loss; partially offset by a decrease of RMB496.8 million in inventories.

Our net current assets decreased from RMB1,373.8 million as of December 31, 2021 to RMB1,106.0 million as of December 31, 2022, primarily due to (i) an increase of RMB396.5 million in trade payables; and (ii) an increase of RMB208.6 million in other payable and accruals. This was partially offset by (i) an increase of RMB445.8 million in inventories; and (ii) an increase of RMB119.4 million in trade receivables.

Our net current assets increased from RMB580.6 million as of December 31, 2020 to RMB1,373.8 million as of December 31, 2021, primarily due to (i) an increase of RMB526.8 million in cash and bank balances; (ii) an increase of RMB200.3 million in financial assets at fair value through profit or loss; and (iii) an increase of RMB185.2 million in prepayments, other receivables and other assets. This was partially offset by (i) a decrease of RMB45.0 million in inventories; (ii) an increase of RMB105.9 million in other payables and accruals; and (iii) an increase of RMB83.6 million in trade payables.

Our net assets increased significantly from RMB670.4 million as of December 31, 2020 to RMB2,114.7 million as of December 31, 2021, primarily attributable to a capital injection from investors of RMB1,869.1 million and partially offset by a loss for the year of RMB460.9

million in 2021. Our net assets further increased from RMB2,114.7 million as of December 31, 2021 to RMB2,689.6 million as of December 31, 2022, primarily attributable to a profit for the year of RMB241.0 million and the acquisition of a subsidiary of RMB300.7 million in 2022. Our net assets increased slightly from RMB2,689.6 million as of December 31, 2022 to RMB2,805.0 million as of April 30, 2023, primarily attributable to a profit for the period of RMB119.6 million for the four months ended April 30, 2023.

Selected Items from the Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Four Months ended April 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)			*(Unaudited)*	
Net cash flows (used in)/generated from operating activities	(541,502)	(598,027)	285,283	45,350	104,239
Net cash flows used in investing activities	(32,040)	(864,443)	(40,399)	(329,426)	(256,970)
Net cash flows from/(used in) financing activities	576,839	1,777,147	32,529	(8,440)	925
Cash and cash equivalents at the end of the year/period	**100,821**	**417,573**	**694,954**	**125,057**	**543,148**

Net cash used in operating activities amounted to RMB541.5 million in 2020, primarily attributable to an increase in inventories as we increased purchase of finished goods in late 2020 in anticipation of supply chain disruptions induced by the COVID-19 pandemic. Net cash used in operating activities amounted to RMB598.0 million in 2021, primarily because we recorded loss before tax of RMB596.5 million in 2021, as we expanded our workforce and invested in the promotional events with franchisees to support our store network expansion and build our brand awareness. We had net cash generated from operating activities of RMB285.3 million in 2022, primarily because we have turned from a loss before tax of RMB596.5 million in 2021 to a profit before tax of RMB332.0 million in 2022. In the four months ended April 30, 2023, our net cash generated from operating activities amounted to RMB104.2 million, primarily due to the net profit of RMB119.6 million for the four months ended April 30, 2023, which was mainly attributable to (i) the improved profitability in our sales of home meal products and related products and (ii) our expanded store network from 9,221 as of December 31, 2022 to 9,844 as of April 30, 2023.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated, or for the periods indicated:

	As of/Year ended December 31,			As of/Four Months ended April 30,
	2020	2021	2022	2023
Revenue growth	N/A	33.5%	81.2%	(3.8%)
Gross profit margin(1)	11.1%	9.0%	17.4%	21.1%
Net profit/(loss) margin(2)	(1.5%)	(11.6%)	3.4%	5.8%
Adjusted net profit/(loss) margin (non-IFRS measure)(3)	(0.9%)	(11.4%)	3.6%	6.3%
Current ratio(4)	2.2	3.4	1.8	2.6
Quick ratio(5)	0.9	2.3	1.0	1.9
Gearing ratio(6)	15.1%	1.9%	4.9%	5.1%
Inventory turnover days(7)	56.3	63.2	50.8	58.5

Notes:

(1) Gross profit margin is calculated by dividing gross profit by our revenue.

(2) Calculated using net profit for the period divided by total revenue for the period.

(3) Calculated as adjusted net profit/(loss) (non-IFRS measure) for the period divided by total revenue for the period.

(4) Calculated using current assets divided by current liabilities at the end of period.

(5) Calculated using current assets minus inventory, divided by current liabilities at the end of period.

(6) Calculated using the total of interest-bearing borrowings and lease liabilities divided by the total of interest-bearing borrowings, lease liabilities and equity attributable to owners of the parent and multiplied by 100%.

(7) Calculated using the average of opening balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by the number of days during such period.

See "Financial Information — Key Financial Ratios" for details.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in our H Shares to be issued pursuant to (i) the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and (ii) the H Shares to be converted from our Domestic Unlisted Shares on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (a) our revenue of RMB7,173.5 million for the year ended December 31, 2022 which exceeds HK$500 million, and (b) our expected market capitalization at the time of Listing, which, based on the Offer Price of HK$5.98 per H Share, exceeds HK$4 billion.

OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering had taken place on and 68,802,800 H Shares were issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 2,738,802,800 Shares are in issue and outstanding following the completion of Global Offering.

	Based on the Offer Price of HK$5.98
Market capitalization of our Shares[(1)]	HK$16,378 million
Market capitalization of our H Shares[(2)]	HK$10,701 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[(3)(4)]	HK$1.12

Notes:

(1) The calculation of market capitalization is based on 2,738,802,800 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(2) The calculation of market capitalization of our H Shares is based on 1,789,500,876 H Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares.

(3) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustment referred to in "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that 2,738,802,800 Shares are in issue assuming the Global Offering had been completed on April 30, 2023, without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.

(4) No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to April 30, 2023.

LISTING EXPENSES

The listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$79.8 million (including (i) underwriting-related expenses (including but not limited to commissions and fees) of approximately HK$16.5 million, and (ii) non-underwriting related expenses of approximately HK$63.3 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK$36.4 million, and other fees and expenses of approximately HK$26.9 million), representing approximately 19.4% of the gross proceeds from the Global Offering, (based on the Offer Price of HK$5.98 per Offer Share and assuming no exercise of the Over-allotment Option), of which approximately HK$18.8 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity, and approximately HK$61.0 million is expected to be expensed upon the Listing.

FUTURE PLANS AND USE OF PROCEEDS

Based on the Offer Price of HK$5.98 per H Share, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming that the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK$356.5 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 40.0% of the net proceeds, or HK$142.6 million, to improve our supply chain capabilities by enhancing our production capacity and efficiency;

- approximately 40.0% of the net proceeds, or HK$142.6 million, opening and operating our self-operated stores;

- approximately 10.0% of the net proceeds, or HK$35.6 million, to build product R&D centers as well as upgrade and purchase related equipment; and

- approximately 10.0% of the net proceeds, or HK$35.6 million, as working capital and for general corporate uses.

See “Future Plans and Use of Proceeds” for further details.

DIVIDEND POLICY

We did not declare or distribute any dividend to our Shareholders during the Track Record Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include: (i) Awareness, recognition and popularity of our brand, whether in our existing markets or new markets, are pivotal to the success of our business. Any negative impacts on our brand or reputation, or failure to effectively promote our brand, could adversely affect our business and results of operations; (ii) Our business is affected by changes in consumer tastes and dining preference, which we may not be able to anticipate and identify in a timely manner or at all. Our efforts in developing, launching and promoting new products, and diversifying our product and brand portfolio may not be successful, which may expose us to the risks of extra costs and expenses; (iii) Any failure by us, our franchisees or our suppliers to maintain effective quality control systems of our products could have a material adverse effect on our brand reputation, business and operations; (iv) Our extensive store network primarily comprises franchised stores that are operated by franchisees. Our results of operations are largely subject to the performance of the franchised stores. We cannot control and may not be able to effectively monitor the operations of these franchised stores or maintain our current relationship with the franchisees; (v) We rely on third-party warehousing and logistics providers to store and deliver our products to our stores, and risks associated with warehousing and logistics may adversely impact our reputation, business and financial performance; (vi) Our revenue growth in the past was largely attributable to the rapid expansion of our store network. We cannot assure you that we will maintain our store network or successfully implement our expansion plan in the future; (vii) Our development strategies may not achieve the expected goals in the near term, or at all; (viii) We operate in a highly competitive and fast-changing market and may lose our market share if we fail to compete successfully; (ix) If our suppliers do not deliver quality food ingredients and raw materials at competitive prices or in a timely manner due to deteriorated relationships with us or insufficient production capacity, we may experience supply shortages and increased procurement costs, (x) We may experience reduction in our production capacity due to force majeure events, mechanical failures, or utility shortages, which may have a material adverse impact on our business, financial condition and results of operations; and (xi) We may not be able to maintain an active and expanding member base.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

However, we had certain non-compliance incidents, which did not have any material operational or financial impact on us. Three buildings of the production facilities of Luyi Heyi were put into operation without certain filings as required by applicable PRC laws and regulations. During the Track Record Period, we had not made full social insurance and housing provident fund contributions for some employees, and certain of our PRC subsidiaries engaged third-party human resource agencies to make these contributions for certain employees in locations where they work. In addition, two PRC subsidiaries of our Company used personal bank accounts opened under the names of certain employees, mainly to receive payments from franchisees and make payments to suppliers during the Track Record Period for convenience. We had ceased this arrangement since May 1, 2020. See "Business — Legal Proceedings and Compliance — Non-Compliance."

IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a disease caused by a novel strain of coronavirus, or COVID-19, had materially and adversely affected the global economy.

We took a series of measures in response to the outbreak of COVID-19, including different variants of the virus such as Delta and Omicron, and the relevant restrictions:

- *Production and supply chain.* We obtained permits for continuous production, enforcing prevention and control measures in our production facilities and third-party warehouses, and maintained a high inventory level of finished goods in such third-party warehouses, to prevent disturbance in goods supplies in the case of lock down in certain areas.

- *Sales*. We obtained approval from local authorities to keep some of our stores open during the lockdown to guarantee key supplies for local residents. Meanwhile, we provided home delivery services through our online sales channels and partnered with third-party food delivery platforms to enable our franchisees to sell and deliver products to end consumers.

Leveraging our effective response measures and highly efficient supply chain, we had successfully minimized the slowdown in production, logistics and sales arrangements, which contributed to our growth in revenue during the Track Record Period. As a result, our production, supply chain and daily operations had not been materially and adversely affected during the Track Record Period. However, the COVID-19 pandemic had a mixed impact of positive and negative effects on our general business operation and financial performance during the Track Record Period in the following manner:

- **Negative impacts**

  - *__Store closure__*. There were a number of stores that closed for extended periods of time during the pandemic and did not record any sales during those periods. For example, 377, 231 and 882 stores did not record any transaction for more than two consecutive weeks in 2020, 2021 and 2022, respectively. In particular, a total of 234 stores in Henan and 86 stores in Shanghai experienced closures for an average of approximately one month in 2022;

  - *__COVID-19 related expenses__*. We incurred approximately RMB1.1 million in 2020 to purchase sanitization, protective, testing and other supplies to enforce the measures and control in our premises, such as sanitizing regularly and requiring employees to wear masks and undergo testing;

  - *__Heightened inventory level__*. To ensure stable supply of raw materials and products, we stocked up higher level of inventory in warehouses, which used up more working capital.

- **Positive impacts**

  - *__Increased number of orders from online channels__*. During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and lockdown measures, resulting in a surge in the home dining market from 2020 to 2022. This trend has partially contributed to our revenue growth, as our expanded store network enabled us to capture such demand given its close proximity to residential neighborhoods. Based on its operational records, we observed an increase in our average daily orders from online channels from 6,193 in 2020 to 68,831 in 2022;

  - *__Faster store sales growth__*. Stores that were less affected by the restrictive measures due to the pandemic experienced higher sales. For example, the average revenue contribution by franchised stores opened in 2020 increased by approximately 35.2% from RMB475 thousand in 2020 (the year of opening) to RMB642 thousand in 2021 (the first full year of operation following the year of opening). The average revenue contribution by franchised stores opened in 2021 increased by approximately 134.3% from RMB256 thousand in 2021 (the year of opening) to RMB600 thousand in 2022 (the first full year of operation following the year of opening). Such increased store sales growth may in part be due to the trend that people began to eat at home more frequently during the pandemic.

As the COVID-19 pandemic has since subsided, we do not anticipate further adverse impact on our business and financial performance.

RECENT DEVELOPMENT

Since April 30, 2023 and up to the Latest Practicable Date, we continued to expand our store network. The total number of stores in our network increased from 9,844 as of April 30, 2023 to 10,025 as of the Latest Practicable Date, including 689 stores in municipalities, 2,121 stores in provincial capitals, 2,834 stores in prefectural-level cities, 2,693 stores in county-level cities and 1,688 stores in townships. The expansion of our store network and the launch of new products is expected to further enhance our brand awareness which would empower the performance of franchised stores and in turn our financial performance. Our expanding store network and enhanced brand awareness will further generate economies of scale, leading to decreased cost of sales and better financial performance, which is expected to support our continued growth. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since April 30, 2023, being the end date of the periods reported in the Accountants' Report set out in Appendix I, and there is no event since April 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

Proposed Investment in J&T Global

We are currently considering a subscription of certain shares in J&T Global Express Limited (極兔速遞環球有限公司) ("**J&T Global**") (a company incorporated in the Cayman Islands which is seeking listing on the Stock Exchange), an Independent Third Party, as a placee in the global offering of J&T Global at its offer price, with total consideration not exceeding US$17 million. Such proposed investment is in line with our investment policy to make equity investments in companies that are synergistic to our overseas expansion plans, having considered the core competitiveness, strategic value and growth potential of J&T Global as a global logistics service provider. The proposed investment will not result in any material change to our financial position since the end of our Track Record Period. See "Waivers from Strict Compliance with the Listing Rules — Post-Track Record Period Acquisition" for details. We plan to (i) review the annual reports, interim reports and other announcements to be published by J&T Global in relation to its business and financial performance, and (ii) seek assistance of professional valuers or other advisors if appropriate. As an equity investment that is publicly traded, the fair value will be determined with reference to quoted market prices.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"AFRC"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Buhuovc Platinum"	Buhuovc Platinum Limited (不惑鉑金有限公司), a limited liability company incorporated under the laws of Hong Kong on June 30, 2020 and one of our Pre-IPO Investors
"Buqi Zhiqi"	Huzhou Buqi Zhiqi Equity Investment Partnership (Limited Partnership) (湖州不器之器股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on February 18, 2019 and one of our Pre-IPO Investors
"Business day" or "business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"Buyue Ertong"	Shanghai Buyue Ertong Venture Capital Partnership (Limited Partnership) (上海不約而同創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on April 18, 2019 and one of our Pre-IPO Investors
"CAC"	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
"Capital Market Intermediaries"	the capital market intermediaries as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Quanyi"	Chengdu Quanyi Food Co., Ltd. (成都全益食品有限公司), a limited liability company incorporated under the laws of PRC on June 16, 2009 and one of our Pre-IPO Investors
"Chengming Plant"	one of our three self-operated production facilities that engages in hotpot soup base production

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"Chongqing Langyao"	Chongqing Zhaoying Langyao Growth Phase II Equity Investment Fund Partnership (Limited Partnership) (重慶市招贏朗曜成長二期股權投資基金合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 23, 2020 and one of our Pre-IPO Investors
"Chunyu Feifei"	Chunyu Feifei (Shanghai) Industrial Co., Ltd. (春雨霏霏(上海)實業有限公司), a limited liability company incorporated under the laws of PRC on October 26, 2022 and one of our Pre-IPO Investors
"CMB Growth"	China Merchants Bank Growth No. 3 Investment (Shenzhen) Partnership (Limited Partnership (招銀成長叁號投資(深圳)合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 28, 2015 and one of our Pre-IPO Investors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", or "our Company" or "the Company" or "Guoquan Supply Chain"	Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司), a limited liability company established under the laws of the PRC on July 11, 2019 (formerly known as Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈(上海)有限公司)), and was converted into a joint stock limited company in the PRC on February 23, 2023
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was last revised on October 26, 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and, strictly in accordance with such meaning, includes Mr. Yang, Mr. Meng, Mr. Li, Guoquan Industry, Guoxiaoquan EM and Guoxiaoquan Tech; and "Controlling Shareholder" shall mean any one of them
"Conversion of Domestic Unlisted Shares into H Shares"	The conversion of 1,720,698,076 Domestic Unlisted Shares in aggregate held by 23 existing Shareholders into H Shares upon the completion of Global Offering. Such conversion of Domestic Unlisted Shares into H Shares has been filed with the CSRC on April 4, 2023 and CSRC has issued the filing notice in respect of the Global Offering dated September 5, 2023; and an application for H Shares to be listed on the Hong Kong Stock Exchange has been made to the Listing Committee
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Daixiaji"	Beihai Daixiaji Food Co., Ltd., a limited liability company established under the laws of the PRC, in which we made an equity investment in November 2021
"Director(s)"	director(s) of our Company
"Domestic Unlisted Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

"Extreme Conditions"	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong or any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong or that may affect the Listing Date
"Famous Wealthy"	FAMOUS WEALTHY LIMITED, a limited liability company incorporated under the laws of Hong Kong on October 25, 2019 and one of our Pre-IPO Investors
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time
"Generation One"	Generation One Holdings Ltd, a company incorporated under the laws of the British Virgin Islands on December 24, 2018 and one of our Pre-IPO Investors
"Generation Pi HK"	GENERATION PI HK INVESTMENT LIMITED, a limited liability company incorporated under the laws of Hong Kong on November 6, 2019 and one of our Pre-IPO Investors
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guoquan Industry"	Guoquan Industry (Shanghai) Co., Ltd. (鍋圈實業(上海)有限公司), a limited company incorporated under the laws of the PRC on November 10, 2021 and one of our Controlling Shareholders
"Guoxiaoquan EM"	Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) (上海鍋小圈企業管理中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on August 1, 2019 and one of our Controlling Shareholders

"Guoxiaoquan Tech"	Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) (上海鍋小圈農業科技服務中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on August 1, 2019 and one of our Controlling Shareholders
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Share(s)"	shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"Heyi Plant"	one of our three self-operated production facilities that engages in beef processing
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars," "HK dollars" or "HK$" and "cents"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the **GREEN** Application Form
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 19, 2023 relating to the Hong Kong Public Offering entered into by our Company, the Warranting Shareholders, Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses"
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"International Offer Shares"	the 61,922,000 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the Over-allotment Option (subject to reallocation as described in "Structure of the Global Offering")
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering listed in the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around October 26, 2023 by our Company, the Warranting Shareholders, Huatai Financial Holdings (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and the International Underwriters in respect of the International Offering, as further described in "Underwriting — Underwriting Arrangements and Expenses — The International Offering"
"Joint Bookrunners"	the joint bookrunners as named in "Directors, Supervisors and Parties Involved in the Global Offering"

"Joint Global Coordinators"	the joint global coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Sponsors" or "Sponsor-Overall Coordinators"	Huatai Financial Holdings (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited
"Latest Practicable Date"	October 11, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lighthouse"	Lighthouse Development (HK) Limited, a limited liability company incorporated under the laws of Hong Kong on February 25, 2019 and one of our Pre-IPO Investors
"Listing"	listing of our H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date expected to be on or about November 2, 2023, on which dealings in our H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Luyi Chengming"	Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司), a subsidiary of our Company
"Luyi Heyi"	Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司), a subsidiary of our Company
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), formerly known as Ministry of Information Industry of the PRC (中華人民共和國信息產業部)

"Mr. Li"	Mr. Li Xinhua (李欣華), one of our Controlling Shareholders
"Mr. Meng"	Mr. Meng Xianjin (孟先進), an executive Director and executive vice president of our Company, one of our Controlling Shareholders
"Mr. Wang Hongbo"	Mr. Wang Hongbo (王紅波), one of our Pre-IPO Investors
"Mr. Yang"	Mr. Yang Mingchao (楊明超), the chairperson of the Board, an executive Director and chief executive officer of our Company, one of our Controlling Shareholders
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Moutai Fund"	Moutai (Guizhou) Investment Fund Partnership (Limited Partnership) (茅台(貴州)投資基金合夥企業(有限合夥)) (formerly known as Moutai Jianxin (Guizhou) Investment Fund (Limited Partnership)(茅台建信(貴州)投資基金(有限合夥))), a limited partnership established under the laws of the PRC on January 6, 2015 and one of our Pre-IPO Investors
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"Oakwise"	Oakwise Consumer Trends Investment Limited (瑞橡新消費投資有限公司), a limited liability company incorporated under the laws of Hong Kong on March 12, 2021 and one of our Pre-IPO Investors
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) of HK$5.98, at which the Hong Kong Offer Shares are to be subscribed for, to be determined in "Structure of the Global Offering — Pricing and Allocation"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, the additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 10,320,400 additional H Shares, representing up to 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering"
"Overall Coordinators"	the overall coordinators as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles of PRC
"PRC Legal Advisor"	CM Law Firm, the legal advisor to our Company as to the laws of the PRC
"Pre-IPO Investments"	the pre-IPO investment(s) in our Group undertaken by the Pre-IPO Investors, details of which are set out in "History, Development and Corporate Structure — Pre-IPO Investments"
"Pre-IPO Investor(s)"	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed "History, Development and Corporate Structure — Pre- IPO Investments"
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Renzhe Buyou"	Wuhan Renzhe Buyou Equity Investment Partnership (Limited Partnership) (武漢仁者不憂股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 25, 2019 and one of our Pre-IPO Investors
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Tongfu"	Shenzhen Tongfu Trading Co., Ltd. (深圳通福商貿有限公司), a limited liability company incorporated under the laws of PRC on August 15, 2019 and one of our Pre-IPO Investors
"Shenzhen Xintonglu"	Shenzhen Xintonglu Supply Chain Technology Co., Ltd. (深圳市新通路供應鏈技術有限公司), a limited liability company incorporated under the laws of PRC on May 28, 2019 and one of our Pre-IPO Investors
"Sichuan Chengming"	Sichuan Chengming Food Co., Ltd. (四川澄明食品有限公司), a subsidiary of the Company
"SOE(s)"	state-owned enterprise(s)
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited

"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Board of Supervisors
"Suzhou Yizhong"	Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on June 1, 2017 and one of our Pre-IPO Investors
"Track Record Period"	the years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023
"Tiantu Fund"	Tiantu China Consumer Fund II Limited (天圖中國消費基金二期有限公司), a limited liability company incorporated under the laws of Hong Kong on August 17, 2020 and one of our Pre-IPO Investors
"Titanium"	TN Titanium Limited (formerly known as Buhuo Titanium Limited or Buhuovc Titanium Limited), a limited liability company incorporated under the laws of Hong Kong on February 17, 2021 and one of our Pre-IPO Investors
"Top New"	Top New Development Limited (達隆發展有限公司), a limited liability company incorporated under the laws of Hong Kong on March 17, 2010 and one of our Pre-IPO Investors
"UAE"	United Arab Emirates
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
"VAT"	value-added tax
"Wanlai Wanqu"	Luyi County Wanlai Wanqu Food Co., Ltd. (鹿邑縣丸來丸去食品有限公司), a subsidiary of our Company
"Wanlai Wanqu Plant"	one of our three self-operated production facilities that engages in meatball production
"Warranting Shareholders"	Mr. Yang, Mr. Meng, Mr. Li and Guoquan Industry
"**White Form eIPO**"	the application process for Hong Kong Offer Shares with applications issued in applicant's own name and submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zhuhai Gongying"	Zhuhai Growth and Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金(有限合夥)), a limited partnership established under the laws of the PRC on July 6, 2020 and one of our Pre-IPO Investors
"%"	per cent

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

The following is a glossary of certain terms used in this prospectus in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"2C"	to consumer
"APP"	applications on smart mobile devices
"CAGR"	compound annual growth rate
"C2F"	consumer-to-factory
"county-level cities"	cities ranking immediately below a prefectural-level city in terms of administrative level
"ERP system"	an integrated management system of business processes that track business commitments on aspects such as logistics, transportation and contract managements etc. and facilitates flow between business functions to enhance operation efficiency
"g"	gram
"GFA"	gross floor area
"home meal product(s)"	ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients supplied to consumers to improve cooking efficiency in daily home cooking scenarios
"IT"	information technology
"kg"	kilogram
"L"	liter
"municipalities"	Beijing, Tianjin, Shanghai and Chongqing
"POS"	a retail management system for points of sale
"prefectural-level cities"	cities ranking immediately below a province in terms of administrative level
"prepared ingredients"	raw materials for cooking that have been preliminarily processed including cleaning, cutting and other

"provincial capitals"	capitals of provinces and autonomous regions
"R&D"	research and development
"ready-to-cook foods"	semi-finished ingredients that are pre-cut, seasoned and mixed, or even deep-processed (i.e. fried or grilled), ready for cooking
"ready-to-eat foods"	pre-prepared and packaged foods ready for consumption without further preparation or cooking
"ready-to-heat foods"	pre-prepared foods that are already cooked and need only heating by microwave, oven, boiling, steaming, etc. before consuming
"SKU"	stock keeping unit
"sq.m."	square meter
"townships"	administrative divisions ranking immediately below a county-level city in terms of administrative level

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- general political and economic conditions;
- any changes in the laws, rules and regulations of relevant jurisdictions relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Offer Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Awareness, recognition and popularity of our brand, whether in our existing markets or new markets, are pivotal to the success of our business. Any negative impacts on our brand or reputation, or failure to effectively promote our brand, could adversely affect our business and results of operations.

We have successfully established our key brand "Guoquan Shihui (鍋圈食匯)," which we believe has significantly contributed to our success. To retain and expand the consumer base for our products, it is pivotal to maintain and enhance the awareness, recognition and popularity of our brand, which incentivizes consumers to continue purchasing our products, and in turn facilitates us to maintain business and market position. The factors that are crucial for us to maintain and enhance the awareness, recognition and popularity of our brand include, but not limited to, the following:

- maintaining the desirable tastes of our products, our great value-for-money, and our diversified product portfolio;
- increasing brand awareness through marketing and brand promotion activities;
- maintaining stable relationships with our franchisees and suppliers;
- ensuring compliance of our employees and franchisees with relevant laws and regulations; and
- competing effectively against existing and future competitors.

As we continue to expand business scale, extend our geographic reach and expand our product offerings, it may become difficult for us to achieve the above factors. Furthermore, any negative publicity on our products, such as liability claims, litigation, consumer complaints, negative reviews on our products regardless of the validity, could impose negative impacts on our reputation and brand image. If we fail to sustain the awareness, recognition and popularity of our brand in our existing markets, or if we fail to effectively promote our brand and establish such awareness, recognition and popularity in new markets, our business, financial condition and results of operations may be materially and adversely affected.

Our business is affected by changes in consumer tastes and dining preference, which we may not be able to anticipate and identify in a timely manner or at all. Our efforts in developing, launching and promoting new products, and diversifying our product and brand portfolio may not be successful, which may expose us to the risks of extra costs and expenses.

Our success is dependent on our ability to anticipate, identify, interpret and react to consumer tastes and dining preference. To better cater to consumers' evolving preference, we are committed to providing products with appealing tastes and launching new products from time to time to adapt to shifts in consumer tastes.

To launch new products and improve existing products from time to time, we are continuously conducting market research, involving parties across the value chain of our business to observe the changing trends in the markets, so that we are able to promptly respond to the constant changes in market trends, consumer tastes and preferences to design and develop relevant pipeline products. In addition, we expect to further invest in the businesses of the upstream of our value chain and launch new brands, thus diversifying our brand portfolio. We cannot assure you that we will be successful in introducing new products and brands and diversifying our product and brand portfolio with tastes appealing to consumers in the future. We may expend substantial resources developing new products and brands that may not achieve expected success, which may incur extra costs and expenses and in turn adversely impact our business and results of operations.

In addition, as consumer tastes and dining preference is constantly changing, which is difficult to anticipate, we cannot assure you that we are able to anticipate, identify, interpret and react to such changes in a timely manner or at all. Therefore, we cannot assure you that our products will remain preferred by our consumers. If we fail to launch new products that are widely accepted by our consumers, or if our competitors are able to react to the changes in consumer tastes and dining preference more effectively, we may experience reduced consumer demand, and our business, financial condition and results of operations may be materially and adversely affected.

Any failure by us, our franchisees or our suppliers to maintain effective quality control systems of our products could have a material adverse effect on our brand reputation, business and operations.

Our success essentially depends on the quality of our products. Maintaining consistent food quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and our franchisees adhere to those quality control policies and guidelines. Our quality control systems primarily cover (i) procurement and supplier, (ii) logistics and storage, and (iii) stores. See "Business — Food Safety and Quality Control." In addition, as we procure a substantial amount of products from our suppliers, the quality of our products also is affected by our suppliers' ability to maintain effective quality control systems. We cannot assure you that our quality control systems or those of our suppliers will remain effective. Furthermore, to ensure food safety, standardized quality as well as brand reputation, we require franchisees to uniformly procure all home meal products they sell from us. As an exception, for convenience, we may give consent to franchisees to self-procure a designated range of fresh produce products from local reputable sources, provided that the procured products are in accordance with relevant food safety laws and regulations. We cannot assure you that our franchisees will follow and maintain the quality control standard for the self-procured products. Although our franchisees bear the liability related to food safety and quality and are liable to us for any damage caused to our brand reputation, any issues relating to food safety and quality of the self-procured products may have a material and adverse impact on our reputation.

Historically, we have addressed and resolved complaints regarding food quality issues, including mislabeled production date, food spoilage, expired food and others. Allegations regarding franchised stores selling expired food were most likely because of mistakes in labeling self-procured products by the franchised store, as our franchised stores are generally responsible for printing and updating products labels for their self-procured products. Allegations with respect to food spoilage issues were most likely attributed to (i) challenges in maintaining proper storage conditions for frozen food products at the franchised stores, as franchised store employees may open the freezers too often, causing its temperature to fluctuate, or (ii) due to damage to packaging or packaging leaks during transportation of the products, possibly because of improper transportation conditions or mishandling by third-party suppliers or third-party logistics providers. Such incidents may give rise to negative publicity and have adverse impact on our reputation. As such, any significant failure or deterioration of our quality control systems could have a material adverse effect on our brand reputation, business, financial condition and results of operations.

Our extensive store network primarily comprises franchised stores that are operated by franchisees. Our results of operations are largely subject to the performance of the franchised stores. We cannot control and may not be able to effectively monitor the operations of these franchised stores or maintain our current relationship with the franchisees.

As of April 30, 2023, our franchised stores accounted for 99.9% of our total stores. We primarily derive revenue from selling products to our franchisees, which is directly driven by their in-store sales. During the Track Record Period, sales of home meal products to our franchised stores increased by 28.1% from RMB2,910.1 million in 2020 to RMB3,727.9 million in 2021, and further increased by 73.7% to RMB6,476.7 million in 2022, and amounted to RMB1,821.5 million in the four months ended April 30, 2023. Such sales accounted for 98.2%, 94.2%, 90.3% and 87.6% of our total revenue for each period of the Track Record Period, respectively. Therefore, our results of operations are significantly subject to the performance of these franchised stores, which in turn, reflects the marketing ability and management skills of our franchisees. Poor performing franchised stores, if the total number of which is significant, will materially and adversely affect our revenue and profitability. Our franchisees independently manage their businesses, and are responsible for the daily operation of their own franchised stores. We also rely on franchisees to implement our strategic initiatives and marketing programs. Therefore, the success and quality of the franchised stores are ultimately dependent on the franchisees themselves, the market environment, business environment in which they operate and the consumption capacity of consumers.

Although we have developed a robust franchise management system to train our franchisees and their employees, and supervise and manage our franchised stores, we may not be able to monitor and manage their operations as directly and effectively as our own self-operated stores. To maintain the standard and consistent quality of our products as well as consumers' purchasing experience, we provide operational guidelines on key aspects of store operations, which range from frontline store-level staff training, store layout, product display, inventory management to pricing requirement, so as to maintain our uniform brand image across our stores. However, our franchisees may deviate from our guidelines without our consent, which may jeopardize our brand positioning and image. Our franchisees may also breach other provisions of the franchise agreements with us or otherwise engage in illegal actions or misconducts. In addition, although we provide operational support services to support their store operation, we cannot assure you that with these supports our franchisees will be able to successfully operate franchised stores. Neither can we assure you that we will maintain the growth of revenue from our franchised stores. If our franchisees fail to successfully and effectively operate franchised stores, or if our franchisees do not satisfactorily fulfill their responsibilities and commitments, our franchised stores may experience sales declines and our brand image may be negatively impacted, which may consequently result in our failure to maintain and increase our revenue and profitability. Economic policies, corporate and government spending, business investments, capital market volatility, inflation and other factors may affect the economic environment and consumer behavior. Changes in the market environment where the franchisees are located, as well as the decline in consumers' willingness to spend and consumption capacity, may lead to a decrease in the number of orders and the average sales amount of a single transaction for our franchisees. Under such occasions, our business and results of operations would be adversely affected.

We rely on third-party warehousing and logistics providers to store and deliver our products to our stores, and risks associated with warehousing and logistics may adversely impact our reputation, business and financial performance.

We partner with third-party providers with integrated warehousing and logistics services to deliver our goods efficiently. To ensure the optimized quality and condition of our products, we have set standards to the third-party providers for warehouses and cold-chain logistics. However, we cannot assure you that the third-party warehousing and logistics providers will always be able to satisfy our stringent quality control requirements. Any failure for us to properly supervise the storage and delivery of our products, observe proper hygiene, ensure cleanliness or meet other quality control requirements or standards in operations could adversely affect the product quality delivered to our stores. A significant interruption impacting the third-party warehouses, whether as a result of a natural disaster, labor difficulties, fire or other causes, or any unexpected and adverse changes in the optimal storage conditions of our third-party warehouse facilities, may expedite the deterioration of our products. Historically, there were allegations against us with respect to food spoilage issues, which were possibly attributable to damage to packaging or packaging leaks during transportation of the products resulting from improper transportation conditions or mishandling by third-party suppliers or third-party logistics providers. Any risks associated with warehousing and logistics may adversely impact our reputation, business, financial condition and results of operations.

Our revenue growth in the past was largely attributable to the rapid expansion of our store network. We cannot assure you that we will maintain our store network or successfully implement our expansion plans in the future.

Our rapid growth is largely attributable to our extensive store network which has been a critical factor in driving our business growth and strong results. Accordingly, our success is dependent on maintaining relationships with franchisees and attracting new franchisees to join our store network. During the Track Record Period, the number of our stores increased from 4,300 as of December 31, 2020 to 6,868 as of December 31, 2021 and further to 9,221 as of December 31, 2022, representing a CAGR of 46.4%, and the number of our stores further increased to 9,844 as of April 30, 2023. In 2020, 2021 and 2022, the number of closed franchised stores was 28, 194 and 279, accounting for 0.7%, 2.8% and 3.0% of the total franchised stores as of December 31, 2020, 2021 and 2022, respectively. In the four months ended April 30, 2023, the number of closed franchised stores was 132. Although we only experienced an insignificant number of franchised store closures during the Track Record Period, we may not be able to maintain our relationships with franchisees due to various factors, some of which are beyond our control. For example, if our existing products or new products are unable to achieve popularity among consumers as expected, our franchised stores may experience sales declines, which may render franchisees unable to generate investment returns as they expected. As a result, our franchisees may terminate their agreement with us or choose not to renew such agreement with us, resulting in the closes of franchised stores. In addition, we may not be able to further attract new franchisees and open new franchised stores, which will adversely affect our future business growth. The occurrence of any of the above could have adverse impacts on our expansion plans, business prospects, financial condition and results of operations.

To further increase our market share, we expect to continue to expand our geographic coverage and deepen our market penetration. To this end, we intend to engage more quality franchisees and encourage existing franchisees to open more franchised stores, to increase the number of our franchised stores. However, we cannot assure you that we will be able to successfully contract new franchisees or open new franchised stores as scheduled. We may not be able to contract franchisees with industry experience and managerial skills, to educate and train the franchisees and their staff, or to identify attractive locations for new franchised stores. Franchisees may also decide to cease the business relationship with us if they find our services and support unattractive. Furthermore, if we are unable to properly plan our store network expansion, an increasing number of stores in one certain region may cause cannibalization and unhealthy competition. Geographical location is of significant importance to the operation of our stores. We cannot assure you that the current location of our stores will remain attractive when there are changes in surrounding environment or local economic conditions. Surrounding geographic and economic conditions may cause the location of our stores to be unsatisfactory, which may further lead to a decrease in their sales volume.

We prevent the occurrence of channel stuffing within our franchised store network through various measures. See "Business – Our Sales Channels and Store Network – Offline Retail Store Network – Franchised Stores." However, we cannot assure you that the measures would be effective in preventing channel stuffing within our store network. The failure in avoiding such occurrences may adversely affecting our financial condition and results of operation.

Our development strategies may not achieve the expected goals in the near term, or at all.

To adapt into the competitive industry and maintain our leading market position, we plan to further expand our store network, build long-term relationships with our franchisees, diversify our product offering, enhance our supply chain capabilities, and further strengthen our digital capacity. However, we cannot assure you that we will be able to execute our strategies successfully and achieve the expected goals as planned in the near term or at all. For example, while we continue to expand our geographic coverage and deepen our market penetration, we may not be able to engage quality franchisees or encourage existing franchisees to open more franchised stores. In addition, new products that we are going to introduce, may fail to achieve popularity and market acceptance. Furthermore, our initiative to establish home meal products processing centers to offer customized Chinese food products may not achieve the expected outcome. To further enhance our supply chain capabilities, we have invested and plan to continue investing in strategic acquisitions of the businesses in the upstream of our value chain, which we believe are supplementary to our existing operations. We cannot assure you that these acquisitions would be successful. See "— Risks Relating to our Business and Industry — We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful."

In addition, our robust operation and rapid expansion has been fueled by our information technology. To support our business expansion, we plan to further strengthen our digital capacity and improve our inventory management system, store operational management system, membership system and business, finance and supply chain management systems. See “Business — Our Strategies.” However, such initiatives to iterate information technology and relevant digital technology infrastructure may not be able to facilitate the improvement of our operational efficiency or business growth as expected. All these efforts require significant managerial, financial, and human resources, which may not be proportional to the achievement or at all. We cannot assure you that we will be able to effectively manage our growth or to implement all these measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

We operate in a highly competitive and fast-changing market and may lose our market share if we fail to compete successfully.

The industry we operate in is intensely competitive with respect to, among other things, brand recognition, consistent food quality, services, prices and store locations. Our competitors come from a variety of geographic markets, including domestic and international home meal products providers. Furthermore, new competitors may emerge from time to time, which may further intensify the competition. In particular, market players initially in other food sectors may start to offer products or brands that resemble our concepts and target consumers, imposing direct competition against us. There are also many well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and several of our competitors are well established in certain regional markets where we currently have stores or intend to open stores.

Our ability to effectively compete will depend on various factors, including the successful implementation of our store network expansion strategy, and our ability to continuously source high-quality food ingredients and raw materials, to expand product portfolio, and to enhance our operational efficiency. Failure to successfully compete may prevent us from increasing or sustaining our revenue and profitability and potentially lead to a loss of market share, which could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

If our suppliers do not deliver quality food ingredients and raw materials at competitive prices or in a timely manner due to deteriorated relationships with us or insufficient production capacity, we may experience supply shortages and increased procurement costs.

It is crucial for our business to source quality food ingredients at competitive prices in a timely manner. Our ability to maintain consistent quality of food and maintain our product offerings across our stores depends in part upon our ability to acquire quality food ingredients from reliable sources that meet our quality specifications in sufficient quantities. Purchases from our top five largest suppliers in each of 2020, 2021 and 2022 and the four months ended April 30, 2023 amounted to RMB788.8 million, RMB900.1 million, RMB1,480.4 million and RMB313.4 million, respectively, and accounted for 24.6%, 24.5%, 23.3% and 26.1% of our total purchases in the respective periods. There can be no assurance that we will be able to maintain business relationships with our key suppliers.

The production and supply of our products rely on certain key food ingredients, including beef, lamb and pork. The availability (in terms of type, variety and quality) and price of food ingredients may fluctuate and be volatile, which are subject to factors beyond our control, including seasonal fluctuations, climate conditions, natural disasters, general economic conditions, global demand, government policies and regulations including tariffs, and exchange rate fluctuations. For example, the average wholesale price of beef increased from RMB53.8 per kg in 2017 to RMB77.6 per kg in 2022; the average wholesale price of lamb increased from RMB47.5 per kg in 2017 to RMB73.6 per kg in 2021, and slightly decreased to RMB68.6 per kg in 2022; and the average wholesale price of pork increased from RMB21.2 per kg in 2017 to RMB44.9 per kg in 2020, and decreased to RMB25.8 per kg in 2022. See "Industry Overview — China's Home Meal Products Market — Raw Material Price of Home Meal Products." Our suppliers may also be affected by higher costs to produce the goods supplied to us, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods supplied to us. Although we typically stipulate a lock-up price for six months following the execution of the supply agreement, we may have to negotiate with the supplier over the procurement price after six months. Where our suppliers initiate the negotiation of procurement prices due to the aforementioned reasons, we cannot assure you that we will be able to maintain the procurement prices for food ingredients. Neither can we assure you that our current suppliers will always be able to meet our stringent quality control requirements in the future. In addition, the productivity of our suppliers may also be negatively affected by staffing shortages, unexpected mechanical failures, utility shortages or outage, fire, acts of God or other calamities at the production facilities of our suppliers, which would render our suppliers unable to maintain their supply at the same or similar level of product quality and quantity in the future. Moreover, we cannot assure you that we will maintain good and stable relationships with our suppliers. If any of our suppliers do not perform adequately or otherwise fail to distribute quality food ingredients to us in a timely manner due to deteriorated relationships with us or insufficient production capacity, we cannot assure you that we will be able to secure alternative suppliers on commercially acceptable terms in a timely manner, or at all. Any failure to do so could increase our food costs and could cause shortages of food ingredients, which will further lead to the shortages of our products and may cause us to replace certain food ingredients with others that may affect the tastes of our products. Any significant changes to the tastes of our products for a prolonged period could result in a significant reduction in revenue during the time affected by the shortage and could adversely affect our business and results of operations.

We may experience reduction in our production capacity due to force majeure events, mechanical failures, or utility shortages, which may have a material adverse impact on our business, financial condition and results of operations.

We own three production facilities in Henan Province, including (i) a beef processing plant acquired in August 2021, which was subsequently relocated and upgraded to a new one on our own land, (ii) a meatball production plant acquired in August 2021, and (iii) a hotpot soup base production plant acquired in November 2022. Our production and operations depend on the optimized production flow and enhanced efficiency of our workforce, which are empowered by our machinery and equipment. Our production and operations also rely on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any unexpected mechanical failures, shortages of power, water, gas or other utilities, our production plants may have to be shut down. Any disruption in the supply of electricity, water, gas or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition.

In addition, our production process and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, causing power outages, gas or water shortages, damage to our production and processing facilities or disruption of transportation channels, among other events, may significantly interfere with our operations. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events, or to effectively respond to such events, may adversely affect our business, results of operations and financial condition.

We may not be able to maintain an active and expanding member base.

We believe our success is partially attributable to a large member base which is a result of our successful membership marketing and operation. To promote our brand and enhance consumer experience, we have launched our membership system. As of April 30, 2023, the number of our registered members reached approximately 22.4 million. We endeavor to deploy various marketing initiatives, online and offline, to reach a broad consumer base and encourage their purchases. We design customized membership privileges based on the multi-tier memberships to stimulate repeat purchases and increase member loyalty. However, our efforts to expand member base and to increase their engagement level may not always be successful. If our members find our membership privileges no longer attractive and become inactive, their purchases may decrease, which in turn, will materially and adversely affect business, results of operations and financial condition.

We may not be able to adequately manage our inventory, which could have a material adverse effect on our business, financial condition and results of operation.

Our raw materials and processed home meal products have limited shelf life. To maintain an optimal level of inventory, we are committed to digitalizing and automating our supply chain to improve our operational efficiency. Our ERP system allows us to monitor the supply and demand dynamics from procurement-end to store-end and our inventory level. However, our efforts may be affected by various factors that are beyond our control, including natural disasters, fluctuations in consumer traffic, and in the long run, changes in consumer tastes and dining preferences. As a result, we cannot assure you that our inventories can be fully utilized within their shelf life. As our business expands, if we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence and a decline in inventory values, which may have a material adverse effect on our business, financial condition and results of operations.

We cooperate with third-party food delivery platforms. The performance of, and our long-term relationships with, such platforms may affect our business, financial condition, and results of operations.

We cooperate with third-party food delivery platforms for the promotion and delivery of our products via online channels, which allows consumers to place orders online without physically visiting our stores. Interruptions or failures in the systems of such third-party food delivery platforms could affect consumers' shopping experience. If our products are not delivered on time and in proper condition, our consumers may refuse to accept and have less confidence in our products, in which case our business and reputation may be adversely affected. In addition, we cannot assure you that we will maintain long-term relationships with the third-party food delivery platforms. If our relationships terminate, deteriorate or become less cost-effective, our business, financial condition, and results of operations may be materially and adversely affected.

Any negative publicity or misconduct regarding our brand ambassador that promotes our products could adversely affect our business.

We partner with our brand ambassador to promote our brand and market our products through both online and offline media. However, we cannot assure you that our brand ambassador's endorsements or advertisements will remain effective and compatible with the messages that our brand and products aim to convey. Neither can we assure you that our brand ambassador will remain popular or any of the images of our brand ambassador will remain positive. Any of our brand ambassador's deterioration of image or misconduct or inappropriate speech, would have a significant impact on our brand images and subsequently the sales of our products. Where we need to replace our brand ambassador, we may not be able to find suitable candidates in a timely manner or at all. In addition, we may have to dispose relevant packaging materials, removing advertising and marketing materials, which may incur additional expenses. Furthermore, our marketing plans may be disrupted or fail as we may require more time to prepare new market materials and may therefore miss special events. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

We may incur significant expenses in connection with our branding and marketing efforts, and our efforts in sales and marketing may not be effective as expected.

We aim to increase the sales of our products, achieve broader market acceptance, and maintain consumer loyalty, which to some extent will depend on the successful execution of effective sales and marketing strategy. Our selling and distribution expenses decreased from RMB629.4 million in 2021 to RMB624.6 million in 2022 and from RMB219.4 million in the four months ended April 30, 2022 to RMB184.7 million in the four months ended April 30, 2023. Such expenses as a percentage of our revenue decreased from 15.9% in 2021 to 8.7% in 2022 and from 10.2% in the four months ended April 30, 2022 to 8.9% in the four months ended April 30, 2023, as we enhanced our selling and distribution efficiency by improving and utilizing our digitalized management system. Going forward, we expect to continuously invest in brand promotion activities, further enhancing brand awareness among consumers. We plan to further broaden our customer reach by strategically place advertisements on both online and offline sales and marketing platforms. All of these initiatives may incur significant cost and expenses. However, we cannot assure you that we will achieve anticipated results from sales and marketing activities, nor can we assure you that we will effectively retain existing consumers or attract new consumers. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels, we may not be able to execute our sales and marketing strategy or achieve our goals.

In addition, marketing trends and approaches in the consumer products market in China continue to evolve, which requires us to continuously optimize our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences. Failure to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

We may be unable to detect, deter and prevent all instances of fraud or misconduct by our employees, franchisees, suppliers or other third parties.

Our business involves employees, franchisees, third-party suppliers and other service providers. If any of them commit illegal actions or misconduct, or if they fail to provide satisfactory products or services, our reputation and operation may be adversely affected. For example, our POS system and other digitalized systems may not be able to accurately process and reflect all orders and transactions in franchised stores, and our employees and franchisees may not fully follow our internal control measures and policies. In addition, the failure of our raw material suppliers to ensure product quality or to comply with food safety or other laws and regulations and contamination during the delivery to us or software and internet disruptions to our third-party service providers could interrupt our operations and result in claims against us, and any delay in delivery of our products, damage to our products during the course of delivery and inappropriate actions taken by delivery riders of the delivery service providers might cause consumer complaints.

In the event that we become subject to claims caused by actions taken or unsatisfactory performance by our employees, franchisees, third-party suppliers, service providers or other business partners, we may seek compensation from the relevant parties. However, such compensation may be inadequate to cover our actual losses. If no claim can be asserted against the relevant parties, or amounts that we claim cannot be fully recovered from such parties, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

Since we and our franchisees require various approvals, licenses and permits to operate businesses, any failure to obtain or renew any of these approvals, licenses and permits or any failure to keep up with laws and regulations relating to our ongoing development and operations could materially and adversely affect our businesses and results of operations.

We are required to obtain and maintain miscellaneous approvals, licenses, and permits to operate our business, which mainly include Food Business License and archival filing of Commercial Franchising which are required to be obtained pursuant to the PRC laws and regulations. See "Business — Licenses, Approvals and Permits." These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection and fire safety laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation. We may be subject to penalties and regulatory actions if we fail to obtain or renew such approvals, licenses and permits, which may have adverse effect on our business, financial position and results of operations.

In addition, our franchisees are also required to obtain and maintain relevant approvals, licenses and permits relating to food operation. Although pursuant to our franchise arrangements, our franchisees are responsible for obtaining and maintaining requisite license and permits for their franchised stores, any non-compliance may cause a temporarily close to the relevant franchised store until it satisfies all legal and regulatory requirements, which may in turn adversely affect the business operations, and they may be subject to penalties and regulatory actions in the case where they fail to obtain or renew such approvals, licenses and permits, which may have a negative impact on our reputation and brand image and ultimately our business, financial position and results of operations. As of the Latest Practicable Date, a portion of our franchised stores were unable to provide valid proof of compliance with laws and regulations relating to food operation, which may result in fines and penalties on our franchisees. While we have internal controls in place to require our franchisees to obtain all necessary approvals, licenses and permits before commencing operations, we cannot ensure that all franchisees complete corrective actions and obtain relevant certifications in a timely manner. Such failure of our franchised stores to provide valid proof of compliance will not subject us to fines and penalties. However, it may have negative impact on our reputation and brand image, and ultimately affect our financial position and results of operations.

In recent years, there has been the continuous strengthening of supervision on food safety by relevant government agencies. For example, according to the newly amended Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) and the Regulations for the Implementation of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》), food manufacturers and operators should act in accordance with laws, regulations and food safety standards to engage in production and operating activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, so as to ensure the food safety. This may increase compliance costs for retailers, including us. Failure to comply with the laws and regulations of food safety may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of food production and operation, revocation of food production and operation permits, and in extreme cases, criminal liabilities.

Our Company's operations are subject to many other laws and regulations. For example, conversion and remittance of foreign currencies are subject to corresponding foreign exchange regulations and policies. There can be no assurance that we shall have sufficient foreign exchange to meet the needs of our business operations.

Despite our current compliance with the laws and regulations in regions where we operate, as such laws and regulations continue to evolve and change, if the relevant government makes further changes to its regulations, our production, sale and distribution costs may increase, which will have adverse impacts on our business, financial condition and growth prospects.

Our success depends on our key personnel and our business may be materially and adversely affected if we are unable to retain them or if they are not able to successfully manage our growing operations.

Our future success depends on our key management personnel's continuous and outstanding performance to successfully implement our growth strategy while maintaining the strength of our brand. The continuing services and performance of our key management personnel, including our Directors, Supervisors and members of our senior management, are also pivotal to our future success. We aim to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality of our products and to implement our business strategy. We may need to offer attractive compensation and other benefits package, such as share-based compensation, to attract and retain them. If our key management personnel is unable to work together successfully, or if one or more of our key management personnel is unable to effectively implement our business strategy, our business may not grow at our expected pace or at all. With the intense competition for seasoned management and operating personnel and the limited pool of qualified candidates, we may not be able to retain our key management and operating personnel or to attract suitable management and operating personnel in the future. If any key personnel are unable or unwilling to continue in their present positions, we may not be able to locate suitable or qualified replacements, and our business may be disrupted, and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and knowhow as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

We may be susceptible to any industry-wide food safety concerns, which could impose material and adverse impact on our business financial condition and results of operations even though such concerns are not attributable to our fault.

The food and dining industry is subject to concerns over food safety and quality. There have been various reports and negative news in relation to the food safety and quality incidents in the food and dining industry in the past. Even though the reports and allegations were not targeted at us, the food and dining industry could be negatively impacted by such incidents. The following downturn in the whole industry could take a long time to recover. A public perception that we, or other industry participants do not provide satisfactory products with safety and quality, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain consumers, and our business, financial condition and results of operations may be materially and adversely affected.

Outbreak, epidemic or pandemic of infectious or contagious diseases as well as negative publicity relating to such incidents may cause interruptions to our supply chain, lead to the reduction in our consumer traffic and consequently impose adverse impact on our results of operations.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. The production and supply of our products rely on certain key food ingredients, including beef, lamb and pork. See "— Risks Relating to Our Business and Industry — If our suppliers do not deliver quality food ingredients and raw materials at competitive prices or in a timely manner due to deteriorated relationships with us or insufficient production capacity, we may experience supply shortages and increased procurement costs." Any outbreak of food-borne diseases or epidemic occurrences, such as H5N1 avian flu, Middle East Respiratory Syndrome (MERS), Ebola, as well as influenza caused by H7N9, H5N6 and H2N2, and Swine Influenza (H1N1 virus) could disrupt the supply of our key food ingredients. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on franchisees and suppliers increases the risk of food-borne illness incidents which could be caused by franchisees and suppliers that are outside our control. Drug resistant disease may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, which could give rise to claims or allegations. Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our key food ingredients and significantly increase our costs. An outbreak of any of the above diseases, or other diseases that have yet to become widespread, could therefore have a material adverse impact on our results of operations, financial condition and business prospects.

Moreover, any outbreak, epidemic or pandemic of infectious or contagious diseases such as Severe Acute Respiratory Syndrome (SARS) and the novel coronavirus (COVID-19) in the regions in which we operate could lead to a reduction in our consumer traffic and our revenue, and our business operations and financial performance could be negatively affected as a result. In addition, any negative publicity relating to the aforementioned and other health-related matters such as excessive level of medicine and chemicals contained in poultry and seafood, or outbreak of Bovine Spongiform Encephalopathy (also known as mad cow disease) may affect consumers' perception of food safety in general, which will consequently reduce consumer traffic at our stores and adversely affect our results of operations.

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, had materially and adversely affected the global economy. We took a series of measures in response to the outbreak of COVID-19 variants such as Delta and Omicron and the relevant restrictions, and our production, supply chain and daily operations had not been materially adversely affected during the Track Record Period. However, there remain uncertainties associated with the COVID-19, which may have potential continuing impacts in the future if the pandemic and the resulting disruption were to extend over a prolonged period. Any recurrence or continued outbreak of the COVID-19 in countries around the world could have material and adverse effect on the business operations of our stores, which may consequently have an adverse impact on our business, financial condition and results of operations.

Our results of operations may fluctuate from period to period due to seasonality.

As our hotpot products account for the majority of our revenue, we have been subject to certain levels of seasonal fluctuations with respect to consumer demand due to the seasonal patterns for hotpot consumption. For instance, we typically have more consumer orders and generate higher sales during colder months from October to February next year. We have expanded our product offering by launching diversified products that are less affected by seasonality, including barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks. However, we cannot assure you that such diversified product portfolio would reduce the impacts of seasonal fluctuations in consumer demands for our hotpot ingredients. Going forward, our financial condition and results of operations may fluctuate due to seasonality as we continue to expand our store network and our historical results of operations may not be comparable to or indicative of our future results of operations.

Any significant disruption in our technology infrastructure, including as a result of disruptions to third-party platforms and services that we rely on, or our failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely affect our business, reputation, financial condition and results of operations.

It is crucial to maintain our technology infrastructure's proper functions, as we essentially rely on our technology infrastructure to operate our business, including without limitation, processing all of franchisees' orders, managing our inventories, monitoring the supply chain and stores, and collecting and analyzing operating data. We procure certain third-party platforms and services, such as cloud service and payment services, to facilitate with our business operations. We will inevitably have to engage them in the ordinary course of our business, and we cannot assure you that our business operations will not be disrupted by any system failure due to the fault of such third-party platforms and services.

Furthermore, we may encounter technological issues in the process of maintaining and upgrading our technology infrastructure, including our systems, mini program on social media platforms, computer systems and software. It is complex to develop, upgrade and implement our technology infrastructure, and there may be issues detected during pre-launch testing of new features or services on our systems, which may cause system failure and result in business disruption.

Additionally, our technology systems are subject to damage or interruption from power surges and outages, facility damage, physical theft, computer and telecommunications failures, inadequate or ineffective redundancy, malicious code (including computer viruses, worms, ransomware, or similar), cyber-attacks (including account compromise; phishing; denial of service attacks; and application, network or system vulnerability exploitation), software upgrade failures or code defects, natural disasters and human error. Design defects or damage or interruption to these systems may require a significant investment to fix or replace, disrupt our operations, result in the loss or corruption of critical financial and operating data, and harm our reputation, all of which could materially adversely affect our business or results of operations.

Actual or alleged failure to comply with cybersecurity and data privacy and protection laws and regulations could damage our reputation and operating results, and discourage consumers from registering memberships, or subject us to governmental regulation and other legal obligations.

Our business generates and processes a large quantity of personal and transaction data, and we have established a synergistic system to manage our members. As of April 30, 2023, the number of our registered members reached approximately 22.4 million. There are inherent risks arising from handling such large volumes of data and protecting the security of such data. We are obliged to protect the data in and hosted on our system, including against attacks on our system by third parties or fraudulent behavior by our employees. We have to address concerns in relation to data privacy and sharing, safety, security and other issues. We are further required to comply with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law provides for a security review procedure for the data activities that may affect national security. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a critical information infrastructure operator (the "**CIIO**") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. Under the aforementioned regulation, there is no explicit interpretation by the relevant authorities as to whether "listing in a foreign country" should include "listing in Hong Kong." In addition, the revised Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Therefore, we cannot rule out the possibility that the relevant government authorities may conduct cybersecurity review on us accordingly.

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing in a foreign country (國外上市); and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. The Draft Data Security Regulations provide no further explanation or interpretation as to how to determine what constitutes "affecting national security." As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally promulgated. Therefore, the final content of the Draft Data Security Regulations may be subject to change, and the interpretation, application and enforcement of relevant laws and regulations by legislators shall be determined in accordance with the relevant laws and regulations in effect at that time. It is thus uncertain whether future changes will impose additional restrictions on us.

As such, the laws and regulations regarding privacy and data protection in China are generally complex and evolving (such as the above mentioned regulations and the Personal Information Protection Law (《個人信息保護法》), the Data Security Law (《數據安全法》) and relevant implementation rules and regulations), of which the interpretation and application should be determined in accordance with the relevant laws and regulations effective at the time. In addition, we may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analytics, storage and use. For example, on July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of personal data or important data during our daily business operations. However, since the Security Assessment Measures were newly promulgated, its interpretation and application shall be determined in accordance with the relevant laws and regulations in force at that time. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

In addition, the PRC Data Security Law, among other things, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. The PRC Data Security Law also requires protection of important data, but the scope of important data is still under development and may be further clarified by relevant governmental authorities by way of issuing ministry-level measures, regulatory guidelines and/or national standards. On November 14, 2021, the CAC published the Draft Data Security Regulations, which, among other things, impose specific data security management requirements and certain filing and reporting obligations on processors of important data, and a data processor that processes personal information of more than one million individuals is also required to comply with the relevant requirements on processors of important data. As of the Latest Practicable Date, the Draft Data Security Regulations have not come into effect. On December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which took effect on January 1, 2023. The Data Security Measures also impose specific data security management requirements and certain filing and reporting obligations on processors of important data. However, the term of important data still remains unclear, and the possibility of we being identified as an important data processor cannot be ruled out. If we are identified as important data processor, we will be subject to the relevant requirements under the PRC Data Security Law, the Data Security Measures and other evolving laws and regulations.

As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential consumers to use our Guoquan APP and WeChat mini-program or register memberships, and could subject us to significant legal, financial and operational consequences. Moreover, any failure to comply with applicable data laws and regulations, and any leakage of consumer data by our channel partners, whether or not such incidents are by our fault, could subject us to adverse publicity, which could be detrimental to our reputation and brand image or subject us to proceedings and regulatory actions against us by government authorities or relevant parties. Such proceedings and regulatory actions may subject us to significant penalties and negative publicity, which could leave material and adverse impacts on our business, financial condition and results of operations.

Laws and regulations related to online and offline transactions may impose additional requirements and obligations on our operations in our sales channels. Our business is also subject to risks associated with the online payment through third-party payment platforms and other payment methods.

We advertise and offer our products through various online and offline channels, including social media platforms, third-party food delivery platforms, and posters at stores, which are subject to the applicable laws and regulations where we operate, including but not limited to the E-Commerce Law of the PRC, the Online Trading Supervision and Management Measures, the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation), the Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety, the Food Safety Law of the PRC, the Administrative Measures for Food Recall, the Law of Personal Information Protection of PRC. See "Regulatory Overview — Regulations on E-Commerce", "Regulatory Overview — Regulations on Food Operation" and "Regulatory Overview — Regulations on Internet Information Security and Privacy Protection." New laws and regulations may be applied to address new issues that arise from time to time and to impose additional restrictions on our online operations. If the relevant government authorities in regions where we operate establishes stricter data privacy or other regulatory requirements on online operations in the future, we may incur significantly higher compliance costs in our online channels, and we cannot assure you that we would be able to meet all the regulatory requirements in a timely manner, or at all. Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future operations. This may in turn materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

In addition, we accept payments using a variety of methods, including payment through third-party online payment platforms, online payments with credit cards and debit cards issued by banks in China. We are subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial position and results of operations could be materially and adversely affected.

Moreover, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area shall still be evolving in the future and subject to interpretation, we cannot assure you that the settlement mechanisms we adopted will always be in compliance with the PBOC Notice. We have entered into third-party payment service agreements with licensed entities. However, if the bank or other relevant governmental authorities consider the settlement mechanisms we adopted not fully compliant with the applicable regulations, we may need to adjust our business and cooperation model with the commercial banks and third-party payment service providers, and be subject to penalties and orders to rectify, which may result in higher payment processing cost, and any of these events may materially and adversely affect our growth potential, business and results of operations.

We, our Directors, Supervisors, management, and employees may be subject to litigation, arbitration and regulatory investigations and proceedings, such as claiming in relation to food safety and quality, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves against such claims or proceedings.

Due to our business nature, we are subject to potential liabilities, allegations, legal claims and regulatory proceedings, including labor disputes, labor disputes with our employees, intellectual property infringement claims, contract disputes with our franchisees, and food safety and quality claims. For example, consumers could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. The government, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. See "Regulatory Overview — Regulations on Consumer Protection." Sale of defective products may expose us to liabilities associated with consumer protection laws. Sellers are generally responsible for compensation on customer's loss even if the contamination of food is not caused by the sellers. Thus, we may also be held liable if our suppliers or our franchisees fail to comply with applicable food-safety related rules and regulations. Although we can require the responsible parties to indemnify us for the losses, our reputation could be adversely affected. In addition, our Directors, Supervisors, management and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to commercial, labor, employment, antitrust, securities or other matters, which could adversely affect our reputation and results of operations.

After we become a publicly listed company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

We have limited insurance coverage for our operations.

As of the Latest Practicable Date, we had obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in China. See "Business — Insurance." However, there are losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. In addition, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business and operations.

We believe that our trademarks, brand names and our other intellectual properties such as patents relating to products are material to our success and market position. We have registered our trademarks and applied for patents, which may not be adequate to protect our intellectual properties. Any infringement and unauthorized use of our trademark and trade names may damage our reputation. Third parties may use or imitate our trademarks or trade names without proper authorization or misappropriate our brand to obtain information or commit fraud, which could materially and adversely affect our brand reputation, business and results of operations, in which case we may have to initiate legal proceedings against parties for such infringements. Such legal proceedings could result in diversion of resources from our operations, and we may not be able to obtain results in our favor. Even if such legal proceedings come out with results in our favor, we may not be able to enforce the judgment or the remedies or damages may to be adequately recoverable to compensate us for our actual or anticipated losses, whether tangible or intangible.

We may be exposed to intellectual property infringement claims by third parties, which may disrupt our business, cause us to incur substantial legal costs, or damage our reputation.

We develop our IT system to manage stores, orders and inventories. We also enter into license agreements with software service providers in the ordinary course of business, through which we have obtained the rights to use certain servers and services to support the operation and management of stores, orders and inventories. There is no guarantee that any third parties will not in the future assert that we have infringed, misappropriated or otherwise violate their intellectual property rights. Any intellectual property claims against us, regardless of merit, could damage our reputation and have a material and adverse impact on our business, financial condition and results of operations.

In addition, we may be unaware of intellectual property registrations or applications relating to our business that may give rise to potential objection against the registration of trademarks associated with our brand or even infringement claims against us. Accordingly, we may fail to successfully register our trademarks or face claims of infringement of third parties' intellectual property rights. We cannot assure you that we will not be subject to trademark litigation or disputes in the future. Neither can we assure you that we will be successful in defending ourselves in such litigation or disputes, which could be expensive and time-consuming and could divert management attention from our business. A successful infringement claim against us could require us to pay substantial damages, and our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to additional contributions of social insurance and housing fund and late payments and fines imposed by relevant governmental authorities.

Pursuant to the PRC laws and regulations, we are obliged to participate in the employee social welfare plan administered by local governments, which covers pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. Pursuant to the Social Insurance Law, employers are obliged to apply for social insurance registration with local social insurance agencies and pay premiums on behalf of their employees. Pursuant to the Regulations on the Administration of Housing Provident Funds, employers are required to contribute to housing funds on behalf of their employees. See "Regulatory Overview — Regulations on Employment and Social Welfare." During the Track Record Period, we did not make full contribution to social insurance and housing provident funds for certain employees. The accumulated shortfall of social insurance and housing provident fund contributions amounted to approximately RMB14.0 million, RMB24.7 million, RMB39.4 million and RMB40.9 million as of December 31, 2020, 2021, 2022 and April 30, 2023, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2023, we made provisions of RMB6.5 million, RMB10.7 million, RMB14.7 million and RMB1.5 million in each period, respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future. We may be ordered by the relevant authorities to pay the overdue contributions within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People's Court. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. Any such order and the following penalties may adversely and materially affect our business, financial condition, results of operations and prospects.

In addition, certain PRC subsidiaries of us engaged third-party human resource agencies to pay social insurance premium and housing provident funds for certain of our employees. If such agencies fail to pay the social insurance premiums or housing provident funds for and on behalf of our employees as they agreed or if such arrangements are challenged by government authorities, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. See "Business — Legal Proceedings and Compliance — Non-Compliance — Social Insurance and Housing Provident Funds."

We are subject to certain risks relating to third-party settlements.

Historically, certain of our customers and suppliers (individual or collectively, the "**Relevant Counterparty(ies)**") settled transactions with us through the accounts of third parties chosen by these Relevant Counterparties (the "**Third-party Settlement Arrangement**"). In 2020, 2021, 2022 and the four months ended April 30, 2023, the aggregate amount of payment from the chosen third parties to us accounted for approximately 17.3%, 9.3%, 1.3% and nil of our total payments received from franchisees, respectively. During the same periods, the aggregate amount of payment made from us to the chosen third parties accounted for approximately 1.3%, nil, nil and nil of our total payments made to all suppliers, respectively. No individual Relevant Counterparty had made material contribution to our revenue or cost during the Track Record Period. See "Business — Risk Management and Internal Control — Third-party Settlement Arrangements." We have ceased all Third-party Settlement Arrangement with our customers and suppliers since September 2022 and April 2020, respectively. We are subject to various risks relating to such Third-party Settlement Arrangements during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) possible claims from suppliers that they did not receive the payments we made to their chosen third parties. In the event of any claims from suppliers, third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect to the demand for refund, payment to suppliers or return of third-party payment or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold. Our financial condition and results of operations may as a result be adversely affected.

Our own rights to using some of our leased properties may be queried by property owners or other third parties due to title defects of such leased properties, and we may consequently have to relocate due to the title defects or be subject to fines as a result of unfiled leases, which may result in a disruption of our operations and may adversely affect our business operations and financial position.

We lease properties mainly for office spaces and employee dormitories. As of the Latest Practicable Date, with respect to 30 out of 88 of our lease properties in China, the lessors of such properties had not provided us with valid title certificates, or relevant proofs, evidencing the legality of the construction of the lease properties. This was mainly due to that the lessors failed to file with relevant government authorities or that the relevant certificates were in the progress of application. As advised by our PRC Legal Advisor, if the leased properties were deemed by competent government authorities as illegal constructions under relevant PRC laws and regulations, we may be required to vacate from the relevant properties and relocate our offices and employee dormitories. In this event, our operation may be impaired, and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our offices and employee dormitories to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor's right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents or due to the lack of construction completion that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, most of our lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements. However, we may be subject to a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed within the prescribed timeframe. The aggregate amount of the maximum fine would be approximately RMB0.9 million, which we believe would not have a material adverse impact on our business, financial condition and results of operations. However, in the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See "Business — Properties."

We recognized a certain scale of goodwill and intangible assets during the Track Record Period. If we determine our goodwill and/or intangible assets to be impaired, it would adversely affect our financial condition and results of operations.

Our goodwill amounted to nil, nil, RMB138.0 million and RMB138.0 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively, which mainly relates to our acquisition of Luyi Chengming in 2022. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment. We recorded other intangible assets of RMB3.8 million, RMB6.1 million, RMB61.1 million and RMB60.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively, which mainly represented software, trademark and research and development costs. Intangible assets that have a useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We did not recognize impairment losses in respect of goodwill or intangible assets during the Track Record Period. For details of the impairment assessment methods for our intangible assets and goodwill, see Notes 2.3 to Appendix I to this prospectus.

In evaluating the potential for impairment of goodwill, our management makes a number of assumptions, such as the continuity of the acquired businesses. Their future operating performance, business trends, and market and economic conditions. This requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management's judgment in assessing the recoverability of the goodwill. If any of the assumptions does not materialize, or if the performance of the acquired business is not consistent with such assumptions, we may be required to write-off part or all of our goodwill and record an impairment loss. On the other hand, adverse changes in the future may result in decreases in the value of our intangible assets, which in turn would result in an impairment loss. We also make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-value our intangible assets, which may in turn result in impairment losses. Any significant impairment of goodwill or intangible assets could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges would negatively affect our financial ratios which may limit our ability to obtain external financings.

Our results of operations, financial condition and prospects may fluctuate subject to the changes in fair value of our financial assets at fair value through profit or loss ("financial assets at FVTPL") (other than wealth management products) due to the uncertainty of accounting estimates in the fair value measurement and use of significant unobservable inputs in the valuation techniques.

During the Track Record Period, apart from wealth management products, we also made equity and other forms of investments in high-quality and promising companies from time to time. For these investments, we recognized unrealized fair value gains on financial assets at FVTPL of nil, RMB0.3 million, RMB57.9 million and RMB19.4 million in 2020, 2021, 2022 and the four months ended April 30, 2023. As of December 31, 2020, 2021 and 2022 and April 30, 2023, such financial assets at FVTPL amounted to nil, RMB330.0 million, RMB237.9 million and RMB417.4 million, respectively.

Our financial assets at FVTPL measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements and consolidated statements of comprehensive income, therefore directly affecting our results of operations. There is no assurance that we will not incur such similar fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.

Our contract liabilities primarily represented the advance payments from our franchisees while the underlying goods or services are yet to be provided, which amounted to RMB54.7 million, RMB61.4 million, RMB91.1 million and RMB76.0 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. See "Financial Information — Discussion of

Key Items of Consolidated Statements of Financial Position — Other Payables and Accruals." If we fail to honor our obligations in respect of our contract liabilities, we may not be able to convert such amount of contract liabilities into revenue as expected. Our liquidity position may be adversely affected if we are required to refund some or all of the prepayments to franchisees pursuant to our agreements or pursuant to applicable laws and regulations when disputes arise.

In addition, if we fail to honor our obligations in respect of our contract liabilities, it may also adversely affect our relationship with relevant franchisees, which may in turn affect our reputation, as well as our results of operations in the future. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We enjoy certain governmental grants and preferential tax treatments. Expiration of, or changes to theses preferential tax treatments and government grants may negatively impact our business.

During the Track Record Period, certain of our Group members enjoy preferential tax treatments for VAT and income tax in the PRC. The policies regarding the preferential tax treatment are subject to review, renewal, change and termination. The government agencies may decide to reduce, eliminate or cancel our preferential tax treatment due to changes in relevant policies. Therefore, we cannot assure you of the continued availability of such preferential tax treatment which we currently enjoy. The discontinuation, reduction or delay of the preferential tax treatment could adversely affect our financial condition and results of operation.

In 2020, 2021 and 2022 and the four months ended April 30, 2023, we recorded government grants of RMB2.6 million, RMB8.6 million, RMB28.5 million and RMB32.2 million, respectively. Government grants primarily related to income as rewards for our contribution to the local economic growth, as well as government grants received related to assets, mainly representing subsidies for our investment in production capacity expansion. As the government grants were generally non-recurring in nature, we cannot guarantee that we will be able to continue to obtain government grants, which may have a material adverse effect on our results of operations and profitability.

We have incurred net losses in the past, which may reoccur in the future.

Whilst we recorded net profit of RMB241.0 million and RMB119.6 million in 2022 and the four months ended April 30, 2023, respectively, we recorded net losses of RMB43.3 million and RMB460.9 million in 2020 and 2021, respectively, primarily due to (i) substantial amount of selling and distribution expenses resulting from the increase of operation staff and our increased marketing activities, and (ii) the increase in administrative expenses primarily driven by the increased employee benefits along with the expansion of our administrative force. We may not be able to achieve or subsequently maintain profitability in the future. We believe that our future revenue growth will depend on, among other factors, our ability to maintain and expand our store network, and compete effectively. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in deriving revenue or achieving profitability. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability.

The "stay at home" COVID-19 restrictive measures during the Track Record Period may have contributed to our historic revenue growth. Such growth may not be an indication of future prospects.

We experienced significant growth during the Track Record Period. Our total revenue increased by 33.5% from RMB2,964.7 million in 2020 to RMB3,957.8 million in 2021 and further by 81.2% to RMB7,173.5 million in 2022. For the four months ended April 30, 2023, we achieved a total revenue of RMB2,078.2 million. During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and lockdown measures, resulting in a surge in the home dining market from 2020 to 2022, which may have contributed to our historic revenue growth. We observed an increase in its average daily orders from online channels from 6,193 in 2020 to 68,831 in 2022, which may in part be attributable to the trend that people began to eat at home more frequently during the pandemic. Due to other restrictions in response to the COVID-19 pandemic, some of our stores experienced temporary closures. In 2022, 882 stores did not record transactions for more than two consecutive weeks. Stores that were less affected by the restrictive measures due to the pandemic experienced higher sales. As the COVID-19 pandemic has since subsided, we may not be able to achieve or sustain the same revenue growth in the future.

We have recorded negative operating cash flows in the past, which may reoccur in the future.

Whilst we recorded positive operating cash flow of RMB285.3 million and RMB104.2 million in 2022 and the four months ended April 30, 2023, respectively, we had negative operating cash flow of RMB541.5 million and RMB598.0 million in 2020 and 2021, respectively. We cannot assure you that we will be able to maintain robust cash flow from operating activities in the future. If we encounter long-term and continual net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, results of operations and financial position may be materially and adversely affected.

We are subject to credit risk in relation to trade receivables from our enterprise customers, and may incur impairment losses in relation to prepayments, other receivables and other assets arising.

Our trade receivables were primarily due from our enterprise customers, such as food wholesalers, restaurants and supermarkets. As of December 31, 2020, 2021, 2022 and April 30, 2023, our trade receivables were nil, RMB15.3 million, RMB139.3 million, and RMB141.7 million, respectively. We provide certain enterprise customers with a credit term up to 180 days subject to the creditworthiness of the relevant customers. However, our enterprise customers are subject to market conditions and business risks. We cannot assure you that the creditworthiness of such customers will not change should there be unanticipated events that adversely affect specific customers, industries or markets. The default or delay in payment by these customers may cause allowance for impairment loss on trade receivables. We may be required to make loss allowance, write-off the receivables, incur cost to recover the amount, consider alternative sources of financing or delay our payment obligations. These alternative sources and delays may have a material and adverse effect on our business, financial condition and results of operations.

In addition, our prepayments, other receivables and other assets primarily comprise prepayments, deposits to our suppliers for products procured, VAT recoverable and others, which may involve various uncertainties. As of December 31, 2020, 2021, 2022 and April 30, 2023, our prepayments, other receivables and other assets were RMB294.1 million, RMB479.3

million, RMB440.1 million and RMB511.9 million, respectively. There is no guarantee that our suppliers will perform their obligations in a timely manner. If our suppliers fail to provide products and/or services in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments. This default and risk would in turn materially and adversely affect our business and financial position. While we did not experience any material impairment loss during the Track Record Period, we cannot assure you that we will not incur such loss in the future.

If our products and inventories become obsolete, our business, financial condition and results of operations will be materially and adversely affected.

Our inventories mainly include (i) raw materials for food production, and (ii) finished goods. As of December 31, 2020, 2021, 2022 and April 30, 2023, we had inventories of RMB646.6 million, RMB601.6 million, RMB1,047.4 million and RMB550.6 million, respectively, and the inventory turnover days during the same periods were 56.3 days, 63.2 days, 50.8 days and 58.5 days, respectively. During the Track Record Period, we recognized provision for impairment of inventories of nil, nil, RMB3.9 million and RMB6.2 million, as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. See "Financial Information — Discussion of Key Items of Consolidated Statements of Financial Position — Inventories." If the finished goods become unsalable, drop drastically in price, or if consumer demand shifts to which we may not respond effectively or timely, we may face the risk of a decline in the value of our inventories. In addition, failure to forecast consumer demand or any unexpected event affecting the sales of our products could result in increased inventory obsolescence, a decline in inventory value or inventory write-downs.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which would have a material adverse effect on our results of operations.

We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset the deductible losses. As of December 31, 2020, 2021, 2022 and April 30, 2023, we had deferred tax assets of RMB35.8 million, RMB174.3 million, RMB116.5 million and RMB78.8 million, respectively. Therefore, the recognition of deferred tax involves judgment and estimates by our management on the timing and extent of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be affected, which could have a material adverse effect on our results of operations.

We operate an award interests arrangement which may lead to share-based compensation expenses that may affect our profitability and results of operation and dilute shareholders' interest.

We have adopted an award interests arrangement for the purpose of providing incentives and rewards to eligible participants who contribute to our success. Some of our employees (including Directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration in exchange for equity instruments. We recorded share-based payment expenses of RMB16.4 million, RMB10.3 million, RMB4.6 million and nil during the years ended 2020, 2021, 2022 and the four months ended April 30, 2023. See Note 7 to the Accountant's Report in Appendix I to this prospectus. Share-based payment expense relating to awards granted to eligible contributors is based on the grant date when fair value of the award interests arrangement is recognized. All the award Shares have been vested under the award interests arrangement and there are no further conditions as of the Latest Practicable Date. Any newly granted award interests arrangement or other share-based compensations that we may grant from time to time may result in an increase in our issued share capital when vested, which in turn may result in a dilution of our shareholders' shareholding interest in our Company and a reduction in earnings per share. Therefore, any significant share-based payment expenses may result in a material and adverse impact on our results of operations.

We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful.

To expand our business and strengthen our market position, we may seek to invest in other businesses of the upstream in the value chain of our business by forming strategic alliances or making strategic investments and acquisitions. Acquisitions involve numerous risks, including (i) difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, (ii) difficulties in executing new business initiatives, entering markets or lines of business in which we do not have or have limited direct prior experience, (iii) the possible loss of key employees and consumers, and (iv) difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected. These transactions may also incur significantly increase in our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, issue common stock that would dilute our current shareholders' percentage ownership, or incur asset write-offs and restructuring costs and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies. No assurance can be given that our acquisitions, joint ventures and other strategic investments will be successful and will not materially adversely affect our business, financial condition or results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public trading market for our H shares, and their liquidity and market price may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is determined at HK$5.98. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Business Days after their initial sale at the Offer Price. As a result, investors may not be able to sell or deal in our H Shares before the commencement of trading. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for other competitive companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of H Shares within 12 months from the Listing Date as described in "Underwriting" in this prospectus, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions", upon the expiration of restrictions set out above. We are currently applying for part of the Company's Domestic Unlisted Shares to circulate on the Hong Kong Stock Exchange after the completion of the Global Offering. According to the PRC Company Law, the Shares issued by the Company prior to the Global Offering are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Unlisted Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Unlisted Shares by relevant Shareholders in the public market may affect the market price of the H Shares. Moreover, if we convert a substantial number of domestic unlisted shares into H shares to be listed and traded in the future at the Hong Kong Stock Exchange, it may further increase the supply of the H shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of

Shares by our Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the Offer Price of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional H Shares in the future to raise additional capital.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividend to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividends and Dividend Policy."

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that there will be no future changes to these foreign exchange policies regarding payment of dividends in foreign currencies.

We are a PRC enterprise and we are subject to PRC tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes. Under the EIT Law, our offshore subsidiaries may be subject to PRC income tax on their worldwide taxable income.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividend income derived in China under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the non-PRC resident individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui [1994] No. 20) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering that there may be future changes in relevant regulations, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from their investment in our H Shares.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, gains realized by individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided whether individual income tax shall be levied from non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices at their discretion which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares. For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us (including payments via CCASS) and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate, unless otherwise reduced or exempted by relevant tax treaties or similar arrangement. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC

Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends of the year of 2008 and onwards payable to non-PRC resident enterprise holders of H Shares will be 10%. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the abovementioned arrangements, the interpretation and application of applicable tax laws and regulations by the competent tax authorities are subject to possible future developments and changes in the PRC tax laws and regulations, which may affect the value of your investment in our H Shares.

Any possible conversion of our Domestic Unlisted Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares.

We have filed with the CSRC for the conversion of a portion of our Domestic Unlisted Shares into H Shares. The CSRC has confirmed the completion of our filing procedures, and such portion of the Domestic Unlisted Shares will be converted into H Shares upon listing, which will be listed and traded on the Stock Exchange. Our remaining Domestic Unlisted Shares may also be converted into H Shares upon completion of required procedures in the future, and such converted shares may be listed or traded on an overseas stock exchange, provided that, prior to the conversion and trading of such converted shares, any requisite filings with relevant PRC regulatory authorities shall be completed. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing of the public offering. Therefore, upon obtaining the requisite approval, our Domestic Unlisted Shares may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange one year after this Global Offering, which at that time could further increase the number of our H Shares available in the market and may negatively impact the market price of our H Shares.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders' best interests.

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including, but not limited to, mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other shareholders other than pursuant to the deed of non-competition. Consequently, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments on us and our management under foreign laws.

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. It may be difficult for investors to directly effect service of process upon those persons residing in China or to directly enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of many jurisdictions. The PRC courts may recognize and enforce foreign judgments in accordance with the PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) and other applicable laws, regulations and interpretations, based on the treaty between China and the country where the judgment was made or the principle of reciprocity among jurisdictions.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement had not become effective, and no specific date had been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our H Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

Certain statistics contained in this prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this prospectus relating to, among other things, the industry in which we operate have been derived from a third-party report and various official government publications. However, we cannot assure you of the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based and most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. We have appointed Mr. An Haolei (安浩磊) ("**Mr. An**") and Ms. Ho Yin Kwan (何燕群) ("**Ms. Ho**") as our authorized representatives ("**Authorized Representatives**") pursuant to Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes of the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address (as applicable)) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

4. We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor, who will provide us with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors, Supervisors and our senior management; and

5. We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as our Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Wang Hui (王暉) ("**Mr. Wang**"), our director of the capital market office and Board secretary as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed

Ms. Ho, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Wang for an initial period of three years from the Listing Date to enable Mr. Wang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Wang does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Wang may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Ho will work closely with Mr. Wang to jointly discharge the duties and responsibilities as company secretary and assist Mr. Wang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Ho will also assist Mr. Wang in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Ho is expected to work closely with Mr. Wang and will maintain regular contact with Mr. Wang, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Ho ceases to provide assistance to Mr. Wang as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing. Mr. Wang will also be assisted by (a) the Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Mr. Wang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Wang, having benefited from the assistance of Ms. Ho for the preceding three years, will have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary under Rule 3.28 so that a further waiver will not be necessary.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected Transactions — (B) Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review and Announcement Requirements)."

WAIVER AND CONSENT IN RELATION TO SUBSCRIPTION OF OFFER SHARES BY THE ANTI-DILUTING SHAREHOLDERS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

Rules 10.03(1) and (2) of the Listing Rules provide that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities, and that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved, respectively. Rule 8.08(1) of the Listing Rules requires an issuer to maintain a minimum percentage of public shareholders.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 are fulfilled, without the prior written consent of the Stock Exchange.

As at the Latest Practicable Date, (a) Famous Wealthy is interested in approximately 8.55% of the issued share capital of the Company; (b) Buyue Ertong, Buhuovc Platinum, Buqi Zhiqi and Renzhe Buyou, with Mr. Li Zhujie as their common ultimate beneficial owner, are collectively interested in approximately 7.39% of the issued share capital of the Company; (c) Chongqing Langyao and CMB Growth, with CMB Shenzhen as their common general partner, are collectively interested in approximately 7.28% of the issued share capital of the Company, and together with Mr. Wang Hongbo and Zhuhai Gongying, collectively interested in approximately 7.76%[1]; (d) Chengdu Quanyi is interested in approximately 6.60% of the issued share capital of the Company; and (e) Generation One and Suzhou Yizhong, with Mr. Wei Zhe as their common ultimate controller, are collectively interested in approximately 7.00% of the issued share capital of the Company (all the existing Shareholders under (a) to (e), collectively the "**Anti-Diluting Shareholders**").

Pursuant to the investment agreement (the "**Investment Agreement**") signed between the Company and the pre-IPO investors, the Company has granted anti-dilution rights (the "**Anti-Dilution Right(s)**") to, among others, the Anti-Diluting Shareholders, which allows each of the Anti-Diluting Shareholders to subscribe at the Offer Price, as a cornerstone investor or placee, for such number of Shares to be issued by the Company as part of a qualified IPO so as to maintain its percentage shareholding interest in the Company as at immediately before the qualified IPO. The Anti-Dilution Rights of the Anti-Diluting Shareholders will be terminated upon the Listing pursuant to the term of the Investment Agreement.

1 Chongqing Langyao has appointed Mr. Zeng Xinghai as a non-executive Director. Zhuhai Gongying is managed by Shenzhen Hongshu Growth Investment Management Co., Ltd. as its general manager, which in turn is owned as to 60% by Mr. Zeng Xinghai and 30% by Mr. Wang Hongbo. Mr. Wang Hongbo was the chief investment officer of CMB International Capital Corporation Limited, the holding company of CMB Shenzhen.

The following table sets out (a) the shareholding percentage of the Anti-Diluting Shareholders as at the Latest Practicable Date, (b) the shareholding percentage of the Anti-Diluting Shareholders immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and without taking into account the exercise of their Anti-Dilution Rights, and (c) the maximum number of the Shares for which each of the Anti-diluting Shareholders is entitled to subscribe pursuant to the Anti-dilution Rights, in order to enable them to maintain their respective ownership interest percentage in the Company prior to the exercise of any the Over-allotment Option, rounded down to the nearest board lot:

No.	Name of Anti-diluting Shareholders	Approximate shareholding as at the Latest Practicable Date	Approximate shareholding immediately following the completion of the Global Offering	Maximum number of the H Shares for which the Anti-diluting Shareholder is entitled to subscribe pursuant to the Anti-dilution Rights
1.	Famous Wealthy	8.55%	8.34%	5,884,800
2.	Buyue Ertong	4.23%	4.13%	2,913,200
3.	Buhuovc Platinum	2.05%	2.00%	1,411,600
4.	Buqi Zhiqi	0.96%	0.93%	658,400
5.	Renzhe Buyou	0.15%	0.15%	102,800
6.	Chongqing Langyao	7.22%	7.04%	4,966,400
7.	CMB Growth	0.06%	0.05%	38,400
8.	Mr. Wang Hongbo	0.47%	0.45%	320,800
9.	Zhuhai Gongying	0.01%	0.01%	4,000
10.	Chengdu Quanyi	6.60%	6.43%	4,539,200
11.	Generation One	5.20%	5.07%	3,575,200
12.	Suzhou Yizhong	1.80%	1.75%	1,237,200
	Total	**37.29%**	**36.35%**	**25,652,000**

The maximum number of the H shares for which the Anti-diluting Shareholders is entitled to subscribe pursuant to the Anti-dilution Rights is 25,652,000 H Shares, representing approximately 37.28% of the Offer Shares.

Based on the following reasons and conditions, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules in respect of the allocation of H Shares to each of the Anti-Diluting Shareholders and/or their close associates:

(a) it is in compliance with the minimum public float percentage of 25%, or such other percentage as may be accepted by the Stock Exchange;

(b) full disclosure of the pre-existing contractual arrangement between each of the Anti-Diluting Shareholders and the Company contained in the Investment Agreement, the number of new H Shares that each of the Anti-Diluting Shareholders is entitled to subscribe pursuant to the Anti-Dilution Rights and the fact that the subscription price per H Share will be at the Offer Price, will be made in this prospectus;

(c) the Anti-Dilution Rights, if exercised, will be made in compliance with the Guidance Letter HKEX-GL43-12:

(i) the allocation to each of the Anti-Diluting Shareholders and/or their close associates is necessary in order to give effect to the Anti-Dilution Right under the Investment Agreement and such allocation will not affect the Company's ability to satisfy the public float requirement of Rule 8.08(1);

(ii) a full disclosure of the Anti-Dilution Right and the number of H Shares to be subscribed for by each of the Anti-Diluting Shareholders and/or their close associates will be made in this prospectus and the allotment results announcement and the placee lists to be submitted to the Stock Exchange (if applicable). In addition, the allotment results announcement will contain details of any allocation made to each of the Anti-Diluting Shareholders and/or their close associates. On the basis of full disclosure, no investor will be prejudiced or unfairly treated in their investment decision making process; and

(iii) the H Shares will be subscribed for by each of the Anti-Diluting Shareholders and/or their close associates at the Offer Price and, in any event, will not result in the percentage interest held by each of the Anti-Diluting Shareholders in the Company increasing above the percentage interest held by each of them immediately prior to the Global Offering;

(d) the subscription of the H Shares by each of the Anti-Diluting Shareholders and/or their close associates will not have any impact on the H Shares to be offered to the public investors in Hong Kong under the Hong Kong Public Offering, considering that each of the Anti-Diluting Shareholders and/or their close associates will subscribe for the Shares in the International Offering at the same offer price and under the same terms and conditions as other investors in the Global Offering;

(e) the Anti-Diluting Shareholders and/or their respective close associates are subject to a lock-up period of at least six months from the Listing Date if they subscribe the Shares as cornerstone investors pursuant to the Anti-Dilution Right granted under the existing agreements, and disclose the information required under Guidance Letter HKEX-GL51-13; and

(f) no preferential treatment has been, nor will be, given to each of the Anti-Diluting Shareholders and/or their close associates in the allocation process by virtue of their relationship with the Company, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13 in the case of participation as a cornerstone investor.

WAIVER AND CONSENT IN RELATION TO SUBSCRIPTION OF OFFER SHARES BY MINORITY EXISTING SHAREHOLDERS

Rule 2.03(2) of the Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

Rules 10.03(1) and (2) of the Listing Rules provide that no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities, and that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved, respectively. Rule 8.08(1) of the Listing Rules requires an issuer to maintain a minimum percentage of public shareholders.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 are fulfilled, without the prior written consent of the Stock Exchange.

Guidance Letter HKEX-GL85-16 provides that the Stock Exchange will consider giving consent and granting waiver from Rule 10.04 of the Listing Rules to an applicant's existing shareholders or their close associates to participate in an IPO if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

As at the Latest Practicable Date, each of Generation Pi HK, Lighthouse, Titanium, Tiantu Fund, Oakwise, Shenzhen Tongfu, Shenzhen Xintonglu, Moutai Fund, Top New and Chunyu Feifei (the "**Minority Existing Shareholders**") holds less than 5% of the Company's voting rights as at the date of this prospectus and before the Listing.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules in respect of the restriction on the Minority Existing Shareholders and/or their close associates to subscribe for Shares, as cornerstone investors or placees, in the Global Offering, subject to the following conditions:

(a) the Joint Sponsors confirm that each Minority Existing Shareholder to whom the Company may allocate Offer Shares in the International Offering must be interested in less than 5% of the Company's voting rights before Listing;

(b) the Joint Sponsors confirm that each Participating Shareholder is not, and will not be, a core connected person of the Company or any close associate of any such core connected person immediately prior to or following the Global Offering;

(c) except that Generation Pi HK has the power to appoint a Director, the Joint Sponsors confirm that the Minority Existing Shareholders do not have power to appoint the Directors or any other special right; no Director is appointed by Generation Pi HK as of the date of this submission and Generation Pi HK will confirm to the Company and the Joint Sponsors that it will not exercise its right to appoint a Director prior to the Listing;

(d) the Joint Sponsors confirm that allocation to such Minority Existing Shareholders or their close associates will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules;

(e) the Joint Sponsors confirm to the Stock Exchange in writing that based on (i) their discussions with the Company and the Sponsor-Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by the Company and the Sponsor-Overall Coordinators (confirmations (f) and (g) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that any of the Minority Existing Shareholders or their close associates received any preferential treatment in the allocation either as a cornerstone investor or as a placee by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, and details of the allocation will be disclosed in this prospectus and/or the allotment results announcement, as the case may be;

(f) the Company confirms to the Stock Exchange in writing that: (i) in the case of participation as placees, no preferential treatment has been, nor will be, given to the Minority Existing Shareholders or their close associates by virtue of their relationship with the Company in any allocation in the placing tranche, and details of the allocation will be disclosed in the allotment results announcement; and (ii) in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Minority Existing Shareholders or their close associates by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, that none of the Minority Existing Shareholders or their close associates' cornerstone investment agreement contains any material terms which are more favorable to the Minority Existing Shareholders or their close associates than those in other cornerstone investment agreements;

(g) the Sponsor-Overall Coordinators confirm, to the best of their knowledge and belief, to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Minority Existing Shareholders or their close associates by virtue of their relationship with the Company in any allocation in the placing tranche, and details of the allocation will be disclosed in the allotment results announcement; and

(h) the relevant information in respect of the allocation to such Minority Existing Shareholders and/or their close associates will be disclosed in the allotment results announcement.

The Company expects to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 so that no actual or perceived preference will be given to the Minority Existing Shareholders due to their existing shareholdings in the Company.

POST-TRACK RECORD PERIOD ACQUISITION

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

J&T Global Express Limited (極兔速遞環球有限公司) ("**J&T Global**") (a company incorporated in the Cayman Islands which is seeking listing on the Stock Exchange) is a global logistics service provider with the leading express delivery business in Southeast Asia, a competitive position in China and an expanding footprint in Latin America and the Middle East. According to the public available information, the total assets of J&T Global amounted to approximately USD5,935.6 million as of December 31, 2022, and the revenue and gross loss of J&T Global amounted to approximately USD7,267.4 million and USD270.2 million for the year ended December 31, 2022, respectively. According to Frost & Sullivan, J&T Global is the number one express delivery operator in Southeast Asia, with a 22.5% market share in 2022, in terms of parcel volume. J&T Global is also the first Asian express delivery operator of scale to have expanded into Saudi Arabia, Mexico, Brazil, Egypt and UAE, supporting its e-commerce partners as they expand into new markets.

Considering the core competitiveness, strategic value and growth potential of J&T Global as a global logistics service provider, we are currently considering a subscription of certain shares in J&T Global, an Independent Third Party, as a placee in the global offering of J&T Global at its offer price, with the total consideration not exceeding US$17 million (the "**Proposed J&T Global Acquisition**"). The consideration of the Proposed J&T Global Acquisition will be paid by our internal funds. For the avoidance of doubt, the Proposed J&T Global Acquisition will not be financed by our Company's proceeds from the Global Offering.

In light of the Proposed J&T Global Acquisition, under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, we are required to present in this prospectus the financial information of the Proposed J&T Global Acquisition during the Track Record Period.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules on the following basis:

(i) The requested waiver would not prejudice the interests of the investing public to the Company

a. The total number of shares of J&T Global that our Company is considering to be subscribed for after the Track Record Period only represented approximately 0.13% of the issued share capital of J&T Global upon completion of the Proposed J&T Global Acquisition (based on its latest estimated valuation of its total equity which is publicly available) and all applicable percentage ratios under Rule 14.04(9) of the Listing Rules are less than 5%.

b. Based on the minority equity investment nature of the Proposed J&T Global Acquisition, our Company is not and will not be able to exercise control over J&T Global at board or shareholders' level.

c. The equity interest of J&T Global to be subscribed for by our Company pursuant to the Proposed J&T Global Acquisition will only be accounted for as financial assets, and the financials of J&T Global will not be consolidated into the financials of our Company.

d. The Proposed J&T Global Acquisition will not result in any material changes to our Group's financial position since April 30, 2023 and all information that is reasonably necessary for the potential investors to make an informed assessment of the activities of the Company's financial position will be included in the prospectus of the Company for the purpose of the Proposed Listing.

As such, our Company considers a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public to our Company.

(ii) It would be impracticable and unduly burdensome to reproduce this information for strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules

Our Company has no access to the books or records of J&T Global for conducting an audit given that we will not, as a result of or immediately following the completion of the Proposed J&T Global Acquisition, have any control over J&T Global, nor will we have any representative on or control over its board of directors, or be in a position to consolidate the financials of J&T Global.

As we will not have sufficient information to prepare the historical financial information of J&T Global and J&T Global has already publicly disclosed its prospectus for the investors, it would be impracticable and unduly burdensome for us to reproduce the information required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules for inclusion in this prospectus.

(iii) Alternative information has been provided in this Prospectus

We have provided in this prospectus alternative information in connection with the Proposed J&T Global Acquisition that would be required for a discloseable transaction under Chapter 14 of the Listing Rules in order to compensate for the non-inclusion of historical financial information of J&T Global. See "History, Development and Corporate Structure — Post-Track Record Period Acquisition" in this prospectus for more details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

On 17 February 2023, the State Council and the CSRC announced the implementation of the New Regulations on Filing (as defined in "Regulatory Overview – Regulations on Overseas Listings") which took effect since 31 March 2023.

We have filed the required documents with the CSRC, and the CSRC has issued the filing notice dated September 5, 2023, confirming our completion of the filing procedures pursuant to the new filing regime introduced by the New Regulations on Filing for the Global Offering, the Conversion of Domestic Unlisted Shares into H shares and the application for listing of the H Shares on the Hong Kong Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 6,880,800 Offer Shares and the International Offering of initially 61,922,000 Offer Shares (subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering".)

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Capital Market Intermediaries, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

See "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization.

INFORMATION ON THE CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

The Company has made the CSRC filing for the Conversion of Domestic Unlisted Shares into H Shares, which involves 1,720,698,076 Shares held by 23 Shareholders, and the CSRC has issued the filing notice in respect of the Global Offering dated September 5, 2023. Please refer to "History, Development and Corporate Structure" and "Share Capital" in this prospectus for further details of the aforementioned Shareholders and their interests in the Company and relevant procedures for the Conversion of Domestic Unlisted Shares into H Shares. Such H Shares are restricted from trading for a period of one year after the Listing pursuant to the PRC Company Law.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus and in the **GREEN** Application Form.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and/or the **GREEN** Application Form and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Overall Coordinators (for themselves and on behalf of the Underwriters), and us. See "Underwriting" for further details on the Underwriters and the underwriting arrangements.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) the H Shares to be converted from our Domestic Unlisted Shares. Dealings in the H Shares on the

Stock Exchange are expected to commence on Thursday, November 2, 2023. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by China Securities Depository and Clearing Corporation Limited ("**CSDC**") on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, and senior officers whereby such Directors, Supervisors, and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors or Supervisors of the Company or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Capital Market Intermediaries, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiary) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for convenience purposes at the following rates: (i) Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.9180, the exchange rate prevailing on October 11, 2023 published by the PBOC for foreign exchange transactions, (ii) Renminbi into U.S. dollars at the rate of US$1.00 to RMB7.1779 the exchange rate prevailing on October 11, 2023 published by the PBOC for foreign exchange transactions, and (iii) Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.8192, as calculated according to the rates indicated in (i) and (ii).

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yang Mingchao (楊明超先生)	No. 36 Building 7, No. 2 Shunhe Road Jinshui District Zhengzhou Henan Province, PRC	Chinese
Mr. Meng Xianjin (孟先進先生)	Floor 1-2, Building K-27 Nanhai Courtyard, Kaiwei Ecological City Jiangdong Avenue Guilinyang Development Zone Meilan District, Haikou Hainan Province, PRC	Chinese
Mr. An Haolei (安浩磊先生)	Room 302, No. 39 Lane 905, Shenbin Road Minhang District Shanghai, PRC	Chinese
Ms. Luo Na (羅娜女士)	No. 244, Floor 28, Unit 2 Block 1, Yard 55 Mudan Road High-tech Development Zone Zhengzhou Henan Province, PRC	Chinese
Non-Executive Directors		
Mr. Yi Jiayu (衣家宇先生)	Room 1702, Unit 1, 17th Floor Building 7, Courtyard 3 Shuanghe Middle Road Chaoyang District Beijing, PRC	Chinese
Mr. Zeng Xinghai (曾興海先生)	29th Floor Financial Building No. 2022 Jianshe Road Luohu District Shenzhen Guangdong Province, PRC	Chinese
Mr. Liu Zhengzheng (劉錚錚先生)	No. 3004, Unit 2, Building 8 Yard 121, Yongping Road Jinshui District Zhengzhou Henan Province, PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Zeng Xiaosong (曾曉松先生)	23 Sam Mun Tsai Rd The Beverly Hills Boulevard Du Palais House 92 Tai Po Nt Hong Kong	Chinese
Ms. Yu Fang Jing (郁昉瑾女士)	12A Water Street Wahroonga New South Wales 2076 Australia	Australian
Mr. Li Jianfeng (李劍峰先生)	Room 401, Unit 1 Building 3 No. 80 Dashi West Road Qingyang District Chengdu Sichuan Province, PRC	Chinese
Mr. Shi Kangping (施康平先生)	Room 801, Gate 2 Building 3, Yard 9 Nanxiange Street Xicheng District Beijing, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Ms. Zheng Min (鄭敏女士)	Room 704, Unit 1, Building 11 Nanshan, Xintian City Donglin Lake, Jiayu Town Xingyang Henan Province, PRC	Chinese
Mr. Zhang Boyuan (張柏源先生)	No. 21 of No. 1 Block 116, Zijingshan Road Guancheng Hui District Zhengzhou Henan Province, PRC	Chinese
Ms. Zhang Yifan (張藝凡女士)	No. 17, 4th Floor, Unit 2 East of Building 15 Greentown Lily Apartment No. 3 Dirun Road Zhengdong New District Zhengzhou Henan Province, PRC	Chinese

For details with respect to our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Sponsor–Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
Joint Global Coordinators and Joint Bookrunners	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road, Central Hong Kong
	Central China International Capital Limited Suites 1505-1508 Two Exchange Square 8 Connaught Place, Central Hong Kong
Joint Lead Managers	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbor View Street
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

Central China International Capital Limited
Suites 1505-1508
Two Exchange Square
8 Connaught Place, Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Lighthouse Capital (HK) Financial Limited
Units 1801-2
18/F, Hollywood Centre
233 Hollywood Road, Sheung Wan
Hong Kong

Co-Lead Managers

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F, United Centre
No. 95 Queensway
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheng Sha Wan Road
Kowloon, Hong Kong

	Silverbricks Securities Company Limited Rooms 1004-1006, 10/F. China Merchants Tower, Shun Tak Centre 168-200 Connaught Road Central, Sheung Wan Hong Kong
	Victory Securities Company Limited 11/F, Yardley Commercial Building 3 Connaught Road West, Sheung Wan Hong Kong
Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
Capital Market Intermediaries	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road, Central Hong Kong
	Central China International Capital Limited Suites 1505-1508 Two Exchange Square 8 Connaught Place, Central Hong Kong

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Hong Kong

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233 Hollywood Road, Sheung Wan
Hong Kong

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Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheng Sha Wan Road
Kowloon, Hong Kong

Silverbricks Securities Company Limited
Rooms 1004-1006, 10/F.
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central,
Sheung Wan
Hong Kong

Victory Securities Company Limited
11/F, Yardley Commercial Building
3 Connaught Road West, Sheung Wan
Hong Kong

Legal Advisors to our Company

As to Hong Kong law and U.S. law

Clifford Chance
27th Floor, Jardine House
1 Connaught Place
Hong Kong

	As to PRC law **CM Law Firm** 2805, Phase II, Plaza 66 1366 Nanjing West Road Shanghai, PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law and U.S. law* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing, PRC
Reporting Accountants and Independent Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai, PRC
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered Office	Room 802, No. 3 Lane 187, Xinghong Road Minhang District, Shanghai PRC
Headquarters and Principal Place of Business in the PRC	Room 802, No. 3 Lane 187, Xinghong Road Minhang District, Shanghai PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.zzgqsh.com** *(The information contained in this website does not form part of this Prospectus)*
Joint Company Secretaries	Mr. Wang Hui (王暉先生) Room 802, No. 3 Lane 187, Xinghong Road, Minhang District, Shanghai PRC Ms. Ho Yin Kwan (何燕群女士) *(member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East, Wanchai Hong Kong
Authorized Representatives	Mr. An Haolei (安浩磊先生) Room 302, No. 39 Lane 905, Shenbin Road Minhang District Shanghai, PRC Ms. Ho Yin Kwan (何燕群女士) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East, Wanchai Hong Kong
Audit Committee	Mr. Shi Kangping (施康平先生) *(Chairperson)* Ms. Yu Fang Jing (郁昉瑾女士) Mr. Li Jianfeng (李劍峰先生)

Remuneration Committee	Mr. Zeng Xiaosong (曾曉松先生) *(Chairperson)* Ms. Yu Fang Jing (郁昉瑾女士) Mr. Li Jianfeng (李劍峰先生)
Nomination Committee	Mr. Yang Mingchao (楊明超先生) *(Chairperson)* Mr. Shi Kangping (施康平先生) Mr. Zeng Xiaosong (曾曉松先生)
Compliance Advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	**China Citic Bank Corporation Limited** Shanghai Hongqiao Business District Sub-Branch No. 1300, Shenchang Road Minhang District Shanghai, PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF THE INDUSTRY INFORMATION

We commissioned Frost & Sullivan to analyze and prepare a report regarding China's dining market, China's home dining market, as well as China's home meal products market. Frost & Sullivan is an independent global consulting firm, founded in 1961 in New York, offering industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a fee of RMB1,080,000 to Frost & Sullivan pursuant to a service agreement reached by arm's-length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary," "Risk Factors," "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing for the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development are likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of the dining, home dining and home meal products markets in China in the forecast period, such as rapid growth of consumption upgrade in China, favorable policies, stable demand from downstream industries, etc; and (iv) there is no extreme force majeure or industry regulation which may dramatically or fundamentally affect the market.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

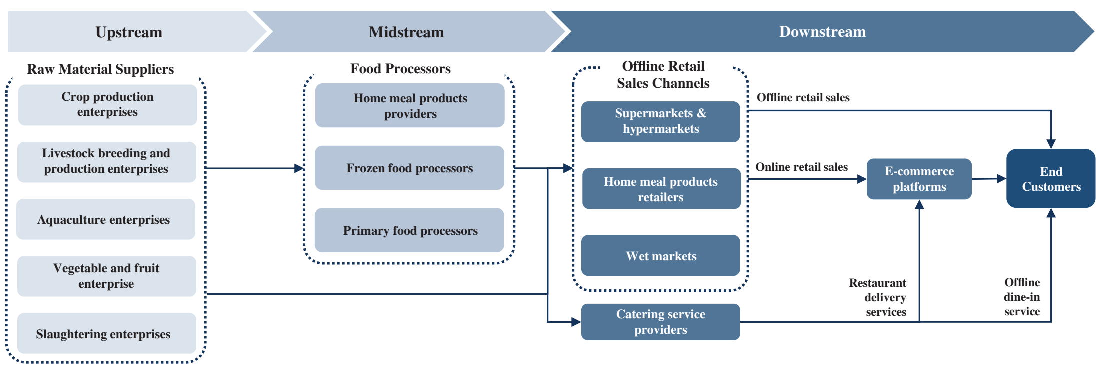
CHINA'S DINING MARKET

China's dining market has been rapidly evolving over the past few years due to various factors including increased urbanization, changing lifestyles, and rising disposable incomes. With the steady growth of per capita annual disposable income and per capita expenditure on food, the market size of the dining market in terms of retail sales value grew steadily from RMB6,903.7 billion in 2018 to RMB9,315.1 billion in 2022, representing a CAGR of 7.8%. The market size of China's dining market in terms of retail sales value is expected to reach

RMB13,638.0 billion in 2027, representing a CAGR of 7.9% from 2022. At present, people principally dine in four ways, namely (i) buying fresh groceries and cooking at home, (ii) dining at restaurants, (iii) using food delivery services, and (iv) opting for home meal products.

Value Chain of China's Food and Dining Market

The value chain of China's food and dining market in China consists of upstream raw material providers from agriculture, forestry, livestock and fishing industries, midstream food processors, and downstream retail sales channels and end customers. The following diagram illustrates the value chain of China's food and dining market:



The upstream mainly involves raw material providers, including crop production enterprises, livestock breeding and production enterprises, aquaculture enterprises, vegetable and fruit enterprises and slaughtering enterprises. The stability of product supply is also crucially dependent on the freshness and safety of raw materials, which serve as the foundation for high-quality food ingredients and products. Leading downstream retailers have developed a complete agricultural product quality traceability mechanism and cold chain logistics to ensure the quality of raw materials.

The midstream mainly involves food processors, including home meal products providers enterprises, frozen food processors, and primary food processors.

The downstream mainly involves E-commerce platforms, catering service providers and offline retail sales channels, including supermarkets & hypermarkets, home meal products retailers and wet markets. End customers can (i) buy fresh groceries and cook at home, (ii) dine at restaurants, (iii) use food delivery services, or (iv) opt for home meal products.

CHINA'S HOME DINING MARKET

In recent years, there has been a growing trend towards dining at home in China. Home dining has become the most popular of all dining scenarios in China, with its market size in terms of retail sales value growing from 47.1% of the dining market in 2018 to 60.3% in 2022.

Overview of China's Home Dining Market

In China, the home dining market is mainly divided into three categories: (i) home meal products, (ii) fresh groceries for cooking at home, and (iii) restaurant delivery services to home.

Category	Definition
Home Meal Products	• Home meal products refer to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients. They address the specific needs and pain points faced by consumers, especially younger generations, working individuals, and dual-income families, who are pursuing balanced lifestyles in today's fast-paced world. • Sales channels for home meal products include both offline retail sales channels and online e-commerce platforms.
Fresh Groceries for Cooking at Home	• A traditional dining practice in China is to purchase fresh groceries from wet markets, grocery stores, supermarkets or fresh groceries e-commerce platforms, and cook them at home. This is common in Chinese households where those responsible for grocery shopping and meal preparation usually have ample time and high standards for ingredient freshness. • Sales channels for this category include both offline retail sales channels and online e-commerce platforms.
Restaurant Delivery Services to Home	• Home delivery services, where the restaurants deliver the cooked meals by themselves or through third-party food delivery platforms, are preferred by a growing number of young consumers.

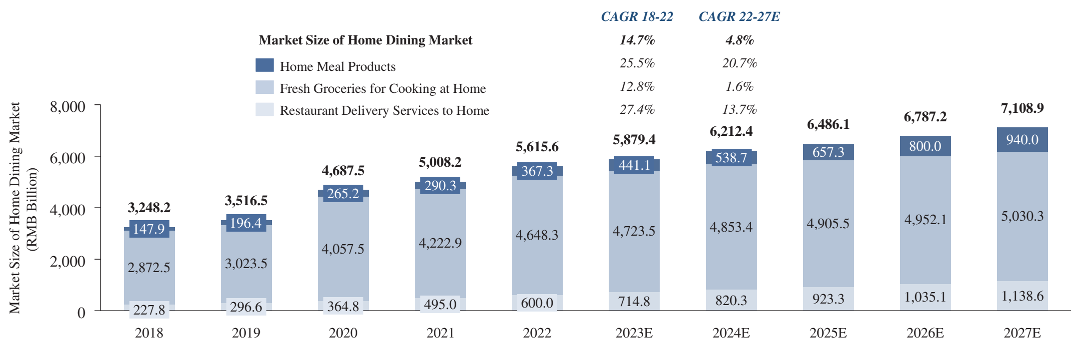
Source: Frost & Sullivan

Market Size of China's Home Dining Market

With rising living standards in China, consumers' awareness of healthy eating has deepened, and they are paying more attention to what goes into their food. Dining at home allows for better control over the quality and freshness of ingredients, which in turn ensures food safety and promotes health. Moreover, dining at home allows for the flexibility to customize meals to personal tastes and preferences. These advantages have fueled the rapid growth of the entire home dining market. The market size of China's home dining market in terms of retail sales value experienced a strong growth from RMB3,248.2 billion in 2018 to RMB5,615.6 billion in 2022, representing a CAGR of 14.7%.

During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and epidemic control measures, resulting in a surge in the home dining market from 2020 to 2022. This has long lasting effects on people's lifestyle and habits that go beyond the pandemic. As people realize the health benefits of preparing food at home, they became more accustomed to dining at home, even those who rarely dined at home before the pandemic. As a result, when home meal products emerged as a dining option that reduces the time and skill requirements of cooking from scratch, they are increasingly favored by consumers who are pursuing healthy eating in a fast-paced life. In light of this trend, the market size of home meal products market in terms of retail sales value is expected to be the fastest growing segment in the home dining market with a CAGR of 20.7% from 2022 to 2027, although its market size is expected to remain smaller than that of restaurant delivery services to home and buying groceries to cook.

Market Size of Home Dining Market by Category (China), 2018-2027E



	Unit	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Market Size of Home Meal Products	*RMB Billion*	147.9	196.4	265.2	290.3	367.3	441.1	538.7	657.3	800.0	940.0
Market Size of Fresh Groceries for Cooking at Home	*RMB Billion*	2,872.5	3,023.5	4,057.5	4,222.9	4,648.3	4,723.5	4,853.4	4,905.5	4,952.1	5,030.3
Market Size of Restaurant Delivery Services to Home	*RMB Billion*	227.8	296.6	364.8	495.0	600.0	714.8	820.3	923.3	1,035.1	1,138.6
Proportion of Home Meal Products	*%*	*4.6%*	*5.6%*	*5.7%*	*5.8%*	*6.5%*	*7.5%*	*8.7%*	*10.1%*	*11.8%*	*13.2%*
Proportion of Fresh Groceries for Cooking at Home	*%*	*88.4%*	*86.0%*	*86.6%*	*84.3%*	*82.8%*	*80.3%*	*78.1%*	*75.6%*	*73.0%*	*70.8%*
Proportion of Restaurant Delivery Services to Home	*%*	*7.0%*	*8.4%*	*7.7%*	*9.9%*	*10.7%*	*12.2%*	*13.2%*	*14.3%*	*15.2%*	*16.0%*

Source: National Bureau of Statistics, Frost & Sullivan

Opportunities in China's Home Dining Market

In the home-dining scenario, consumers place emphasis on time spent preparing and cooking, food quality and safety, and cost-effectiveness. Home meal products can cater to consumer needs that the other two home dining options may not sufficiently address. Cooking at home from scratch requires consumer to purchase groceries and prepare ingredients and seasoning before cooking. Consumers with busy urban lifestyle may not have sufficient time to do so. Home meal products help improve time efficiency by providing preprocessed ingredients and seasoning, reducing the time needed to prepare for cooking at home. As for restaurant delivery services, while there is no actual cooking by consumers, the wait time for delivery may affect the freshness, temperature and flavor of the food delivered. Moreover, some consumers may prefer to control the ingredients, seasoning and cooking oil used in preparing the food. High quality home meal products can effectively address the concerns in relation to freshness, hygiene and flavor preservation. Furthermore, consumers can monitor and control the quantity and quality of seasoning and cooking oil when they purchase home meal products for cooking at home.

CHINA'S HOME MEAL PRODUCTS MARKET

Overview of China's Home Meal Products Market

In China, home meal products refer to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients supplied to consumers to improve cooking efficiency in daily home cooking scenarios.

Category	Definition	Representative products
Ready-to-eat foods	• Pre-prepared and packaged foods ready for consumption without further preparation or cooking.	• Canned goods, packaged braised food, packaged salads, etc.
Ready-to-heat foods	• Pre-prepared foods that are already cooked and need only heating by microwave, oven, boiling, steaming, etc. before consuming.	• Convenience food (instant noodles and rice, self-heating food), frozen food (frozen noodles and rice, frozen meat, frozen seafood), cooking packs/seasoning packs, etc.
Ready-to-cook foods	• Semi-finished ingredients that are pre-cut, seasoned and mixed, or even deep-processed (i.e. fried, grilled), ready for cooking.	• Semi-finished convenience dishes, fried and grilled dishes (seasoned steak, fried chicken, sausage, bacon), processed soy products, etc.
Prepared ingredients	• Raw materials for cooking that have been preliminarily processed including cleaning, cutting, etc.	• Chopped vegetables, pieces of fresh raw meat and seafood, etc.

A subset of home meal products includes at-home hotpot and barbecue products, which refers to ready-to-eat, ready-to-heat, ready-to-cook foods or prepared ingredients used for hotpot and barbecue consumption at home. Such products include beef and lamb products, meatballs, seafood balls/pastes, hotpot soup base, condiments and barbecue seasonings.

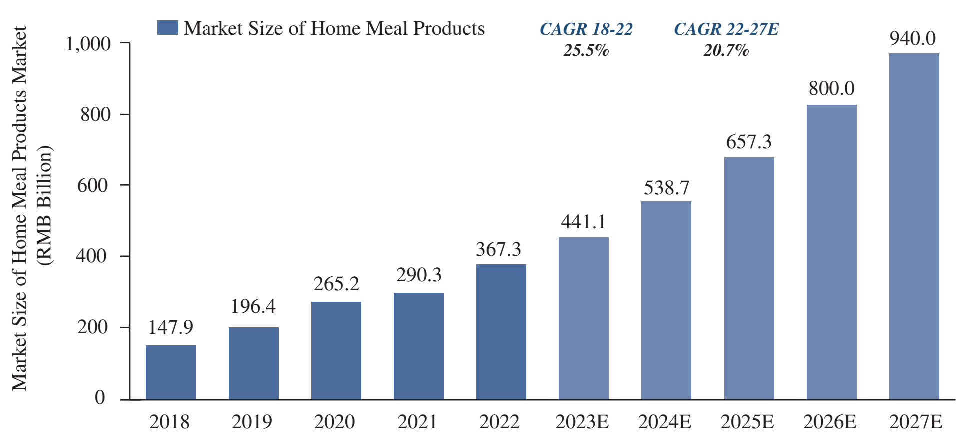
Market Size of China's Home Meal Products Market

As China becomes increasingly urbanized and such urban lifestyle in China becomes faster in pace, an increasing number of people are seeking convenient and efficient dining options that do not compromise taste and quality. These trends have led to the emergence of home meal products as an increasingly popular dining option in China. These products include ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients. Providers of home meal products are offering consumers a convenient and cost-effective way to enjoy high-quality food at home with ease.

The market size of China's home meal products market in terms of retail sales value experienced significant growth from RMB147.9 billion in 2018 to RMB367.3 billion in 2022, representing a CAGR of 25.5%. It is expected to reach RMB940.0 billion in 2027, representing a CAGR of 20.7% from 2022 as consumers increasingly seek healthy eating options that are convenient and require minimal cooking skills. As people continue to prioritize health and wellness, the trend towards home dining and home meal products is expected to continue. In addition, increasing consumer pursuit of higher cooking efficiency, coupled with a desire for variety and innovation in meal preparation at home, and rapid development of food industrialization and cold chain logistics are expected to strongly support the future growth of the home meal products market. As urbanization and the accelerated pace of life make it difficult for consumers to find time to shop and cook, home meal products are a convenient and efficient alternative. In addition, technological advances in food science have enabled the creation of prepared foods that closely resemble fresh alternatives, providing more satisfying dining experiences. The home meal products market is poised for future growth driven by an expanded product portfolio and innovative categories that have broadened its reach from provincial capitals and municipalities to lower-level cities. Furthermore, the rise of new retail has provided opportunities for home meal products providers to reach more consumers, thereby increasing convenience and accessibility, as well as creating more opportunities for growth in the industry. The future growth of the home meal products market in China will also be supported by the continuous advancement in technology that leads to improved quality and taste of home meal products. Food industrialization in China has greatly improved the production efficiency, quality and safety of home meal products, and promoted the development of related industries such as packaging, logistics and distribution.

As the home meal products market in China further develops and consumers become increasingly cautious about the quality, safety and hygiene of foods, the home meal products market face challenges relating to ensuring food safety and maintaining flavor and quality while extending shelve life. Moreover, complying with strict regulations and changing policies as well as continuously catering to diverse and evolving consumer preferences pose hurdles for home meal products providers and present challenges for the continued growth of the home meal products market.

Market Size of Home Meal Products Market (China), 2018-2027E



Source: China Hospitality Association, Frost & Sullivan

Market Drivers of Home Meal Products Market

Home dining being the top dining preference of Chinese people. Chinese people have a tradition of eating at home together. Home meals have also been praised as social experiences that strengthen families and foster good habits. In recent years, there has been a growing trend towards dining at home in China. Home dining has become the most popular of all dining scenarios in China, with its market size in terms of retail sales value accounting for 60.3% of the dining market in 2022, higher than any other dining scenarios including dining at restaurants, office buildings, schools, hotels, etc. The home meal products market in China has been significantly boosted by the growing preference of Chinese consumers for home dining who also demand convenience and efficiency without sacrificing taste and quality.

Consumers' pursuit of higher cooking efficiency. Consumers are increasingly pursuing higher cooking efficiency due to urbanization and accelerated pace of life. Home meal products are becoming more popular as they provide convenience and efficiency for those with insufficient time to buy groceries and cook.

Rapid development of food industrialization. With continuous advancement in technology, the quality and taste of home meal products are also improving, leading to increased acceptance and enjoyment of this type of food. Food industrialization in China has greatly improved the production efficiency, quality, and safety of home meal products. Additionally, food industrialization has promoted the development of related industries, such as packaging, logistics, and distribution, which has further improved the supply chain of home meal products, becoming a vital driving force for the industry's development.

Development of cold chain logistics. Home meal products rely heavily on cold chain logistics for transportation. The development of cold chain logistics, as proposed in the "14th Five-Year cold chain logistics development plan" (《"十四五"冷鏈物流發展規劃》) by the State Council of the PRC in 2022 aims to establish an efficient, safe, intelligent and environmentally friendly system that helps to ensure the quality of home meal products and lower transportation costs, thereby driving the industry.

Upgrading consumption and increasing expenditure on food. In line with rising per capita disposable income in China, per capita expenditure on food, tobacco, and alcohol increased from RMB5,631 in 2018 to RMB7,481 in 2022, with a CAGR of 7.4%. Continued growth in disposable income resulted in the upgrading of people's lifestyles and consumption patterns, including increased spending on food. This trend is expected to further drive the rapid development of the dining market in China.

Market Trends of the Home Meal Products Market

Increasing demand for one-stop home meal products providers. One-stop home meal products providers offer a comprehensive solution for consumers' meal needs. These providers have emerged as popular shopping destinations for Chinese consumers who look for a convenient and time-saving option to purchase all their food items in one place. Furthermore, one-stop home meal products providers offer a wide variety of meal options that cater to different tastes and dietary requirements, allowing consumers to mix and match food ingredients to create their preferred meals from a single source. As a result, we can expect to see continued growth in the demand for one-stop home meal products providers in the future.

Expanding product variety and enhanced flavor retention. Consumers are increasingly looking for variety in their food choices, and demand for diverse and innovative home meal products is on the rise. To meet this demand, home meal products providers are expanding their product lines to include a broader range of options to capture a wider range of food choices by consumers and expand their market share. Technological advances in food science enable the creation of prepared foods that closely resemble their fresh equivalents, delivering more satisfying dining experiences.

Adapting to varied dining scenarios for home meal products. Home meal products offer easy-to-prepare options that maintain flavor, and thus suitable for a variety of dining experiences. As a result, consumers of home meal products are starting to explore more dining scenarios beyond at home, such as urban camping and office dining.

Accelerating integration of online and offline sales channels. Major home meal products providers are not only reinforcing their offline sales channels, but also investing in online sales channels to offer a seamless shopping experience. Online sales channels are growing rapidly due to the convenience and accessibility of online shopping. Home meal products providers will continue utilizing online sales channels to promote their brands and products, and explore offline-to-online model to integrate their offline and online resources.

Increasing upstream integration. There has been a growing trend of increasing upstream integration along the supply chain in the home meal products market. Leading providers are investing in or working closely with upstream suppliers to integrate their operations and achieve greater control over the quality and steady supply of their ingredients. Such arrangements reduce dependence on third-party suppliers, and achieve cost savings by streamlining their operations and reducing inefficiencies, which allow them to adopt a more competitive pricing strategy.

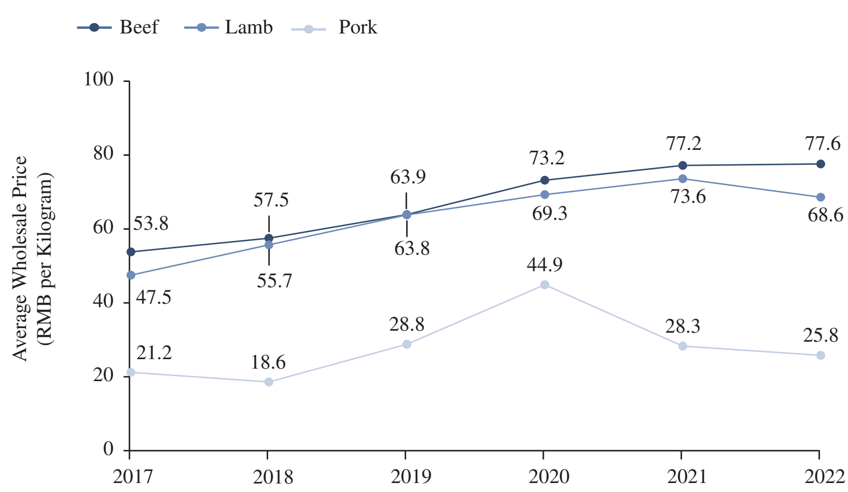
Raw Material Price of Home Meal Products

Prices of raw materials for home meal products generally demonstrated an upward trend, which include beef, lamb and pork.

The average wholesale price of beef gradually increased from RMB53.8 per kilogram in 2017 to RMB77.6 per kilogram in 2022. The average wholesale price of lamb gradually increased from RMB47.5 per kilogram in 2017 to RMB68.6 per kilogram in 2022.

In 2019, the monthly average pork price rose rapidly in the face of a sharp decline in pig production due to African Swine Fever, as well as relatively stable downstream demand. Entering 2020, the average pork price fluctuated at a higher level, with an average price of RMB44.9 per kilogram, much higher than the past three pig cycles since 2006. With the recovery in pig production, pork prices fell to RMB25.8 per kilogram in 2022.

Average Wholesale Price of Beef, Lamb and Pork (China), 2017-2022



Source: Ministry of Agriculture and Rural Affairs of the PRC

COMPETITIVE LANDSCAPE OF CHINA'S HOME MEAL PRODUCTS MARKET

Ranking and Market Share of Home Meal Products Retailers

Among all retailers in China, the top five players accounted for 11.1% market share in terms of retail sales value of home meal products in 2022. In 2022, the Company is the largest home meal products retailer in terms of retail sales value of home meal products among all retailers in China, occupying 3.0% market share. In addition, the Company was the largest at-home hotpot and barbecue provider in terms of retail sales value of at-home hotpot and barbecue products among all providers in China in 2022, accounting for 12.7% market share, according to Frost & Sullivan.

Top Five Retailers in terms of Retail Sales Value[1] of Home Meal Products (China), 2022

Ranking	Retailer	Retail sales value of home meal products (RMB billion)	Market share (%)
1	**The Company**	**11.1**	**3.0%**
2	Company A[2]	10.1	2.7%
3	Company B[3]	9.7	2.6%
4	Company C[4]	6.1	1.7%
5	Company D[5]	4.2	1.1%
	Top five	**41.2**	**11.1%**
	Total	**367.3**	**100.0%**

Notes:

(1) Retail sales value refers to the amount of retail store sales received from end consumers after discounts or rebates, which is used to determine all the market size, ranking and market share of different markets in the Frost & Sullivan Report to reflect market reality.

(2) Company A is an H-shared listed company founded in 2000 and headquartered in Shanghai, with 600 offline retail stores in China as of December 31, 2022. It principally engaged in operating offline retail business including hypermarkets, supermarkets and mini stores, and also facilitates omni-channel business model including online one-hour delivery, half-day delivery and business-to-business. Company A offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 8% of its total SKUs. The total revenue of Company A in 2022 was approximately RMB88.1 billion.

(3) Company B is a Chinese subsidiary owned by a NASDAQ-listed company, founded in 1962 and headquartered in Arkansas, USA, with 326 offline retail stores in China as of December 31, 2022. It is an omni-channel retailer that operates a chain of hypermarkets, discount department stores and grocery stores. Company B offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 11% of its total SKUs. The total revenue of Company B in 2022 was approximately RMB109.3 billion.

(4) Company C is a Chinese subsidiary owned by a NYSE company, founded in 2015 and headquartered in Shanghai, with a registered capital of RMB722.5 million. It principally provides fresh groceries, processed food and offers a wide range of general merchandise product categories via both online and offline channels, with limited home meal products accounting for approximately 7% of its total SKUs. The total revenue of Company C in 2022 was approximately RMB61.0 billion, with 308 offline retail stores in China as of December 31, 2022.

(5) Company D is an A-share listed company founded in 2001 in Fujian Province, with a registered capital of RMB9.1 billion. It principally engages in the operation of supermarkets, and also facilitates omni-channel business integrating in-store and home delivery services, providing fresh groceries, packaged foods, and processed foods. Company D offers a wide variety of food, beverage and household products, with limited home meal products accounting for approximately 20% of total SKUs. The total revenue of Company D in 2022 was approximately RMB98.0 billion, with the 1,035 offline retail stores in China as of December 31, 2022.

Source: Frost & Sullivan

In 2022, the Company was the largest home meal products retailer under proprietary brands in terms of retail sales value of proprietary brand products in China.

Top Five Retailers in Terms of Retail Sales Value of Proprietary Brand Home Meal Products (China), 2022

Ranking	Retailer	Retail sales value of proprietary brand home meal products (RMB billion)
1	**The Company**	**10.3**
2	Company C	3.7
3	Company B	3.2
4	Company A	2.5
5	Company D	1.8

Source: Frost & Sullivan

In 2022, the Company had the largest network of offline retail stores offering home meal products in China as of December 31, 2022.

Top Five Home Meal Products Providers in Terms of Number of Offline Retail Stores (China), 2022

Ranking	Home meal products provider	Number of offline retail stores (as of December 31, 2022)
1	**The Company**	**9,221**
2	Company E[1]	8,500
3	Company F[2]	5,350
4	Company G[3]	1,970
5	Company D	1,035

Notes:

(1) Company E is an A-share listed company founded in 1998 and headquartered in Henan Province, with a registered capital of RMB3.5 billion. It principally engages in hog farming, slaughtering, pork processing and sales. Company E has 13 facilities that produce more than 2.7 million tons of meat per year. The total revenue of Company E in 2022 was approximately RMB63.0 billion.

(2) Company F is an A-share listed company founded in 1984 and headquartered in Shanghai, with a registered capital of RMB412.0 million. It is principally engaged in the manufacturing and distribution of braised food. The total revenue of Company F in 2022 was approximately RMB3.6 billion.

(3) Company G is an A-share listed company founded in 2008 and headquartered in Jiangsu Province, with a registered capital of RMB100.0 million. It is principally engaged in the development, production and sales of home meal products under two brands, with a focus on ready-to-cook meals. The total revenue of Company G in 2022 was approximately RMB0.8 billion.

Source: Frost & Sullivan

Entry Barriers of China's Home Meal Products Market

Branding. As consumer preferences shift towards established brands with strong reputations, brand image is a key factor influencing consumers' decision-making process and differentiating from competitors. Additionally, branding plays a critical role in attracting potential franchisees under the franchise business model. However, for new market entrants, building brand recognition and awareness can present significant obstacles, effectively acting as barriers to market entry.

Product Portfolio. In the home meal products market, a diversified product portfolio serves as an entry barrier, showcasing a company's strong capability to select and offer products based on deep insights into consumer needs. Such a diverse portfolio enables businesses to cater to the varied requirements of different customers through product differentiation and well-honed R&D capabilities. However, this comprehensive strength is cultivated over an extended period, making it difficult for new entrants to establish a similarly diversified product portfolio in the short term.

Sales Channel. A comprehensive sales channel is crucial for the success in home meal products market, the establishment of which requires strategic combination of factors such as leveraging established brands, building trust over time, and implementing effective management systems to ensure stability. For instance, an extensive network of physical stores is critical for an omni-channel distribution strategy. Developing such an extensive sales channel involves considerable investment in promotion, efficient management systems, and long-term commitment to fostering relationships with customers. These factors pose specific barriers for new entrants, who must establish themselves in terms of breadth and depth of sales channels, as well as the efficiency of these channels.

Supply Chain Management. Strong supply chain management capabilities can help home meal products providers better control product quality and safety, ensure timely fulfillment of orders, and manage costs. An integrated supply chain covering raw material procurement, production and processing, and distribution can significantly reduce costs and increase operational efficiency, while improving the quality and stability of product supply. However, building such a comprehensive system requires substantial time, expertise and investment. New entrants face the challenge of establishing a robust supply chain management system that ensures consistent raw material costs and quality control. Failure to adequately address this challenge may jeopardize their product offerings and customer satisfaction, ultimately reinforcing the entry barrier and hindering their ability to compete effectively in the industry.

Digitalization. Digitalization plays an instrumental role in streamlining operations, optimizing resource allocation, and promoting data-driven decision-making. Companies with digitalized core operations can better carry out quality control, increase operational efficiency and provide high-value products and improved customer service. By leveraging digitalization in operational management, companies can create competitive advantages and make it difficult for new entrants to compete.

Food Safety. In the home meal products market, food safety has become a paramount concern for consumers. Ensuring food safety requires significant investment, expertise and experience, as well as the establishment of a solid track record over time. This heightened focus on food safety poses substantial challenges for new entrants, as they must navigate and meet these rigorous requirements. As a result, food safety serves as a considerable barrier to entry, making it difficult for newcomers to successfully compete in the market.

Investment. The significant investment required to establish a strong brand, develop an efficient supply chain, create effective sales channels, ensure food safety, and retain top talent presents a considerable barrier to entry in the home meal products market. Building a reputable brand involves substantial marketing efforts and resources, while implementing a robust supply chain demands expertise and investment in infrastructure and technology. Additionally, setting up sales channels requires time, financial resources, and strong relationships with market participants. Ensuring food safety involves compliance with stringent regulations, investment in quality control systems, and continuous monitoring. Lastly, attracting and retaining top talent necessitates competitive compensation packages and a supportive work environment. Together, these factors contribute to the high barriers to entry, making it challenging for new entrants to successfully compete in the market.

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT

As certain of the Company's shareholders are foreign shareholders, the Company shall comply with regulations on foreign investment which mainly regulate market access, investment, and industry restrictions for foreign-invested enterprises.

In March 2019, the Foreign Investment Law of PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law was promulgated by National People's Congress and came into effect on January 1, 2020, which replaced the Sino-Foreign Equity Joint Venture Enterprise Law of PRC, the Sino-Foreign Cooperative Joint Venture Enterprise Law of PRC and the Wholly Foreign-owned Enterprise Law of PRC, and became the legal foundation for foreign investment in the PRC. To ensure the effective implementation of the Foreign Investment Law, the Regulations on Implementing the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》), or the Implementation Regulations, was promulgated by State Council in December 2019 and came into effect on January 1, 2020, which further provides that a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law shall adjust its legal form or governance structure to comply with the provisions of the Company Law of the PRC or the Partnership Enterprises Law of the PRC, as applicable, and complete amendment registration before January 1, 2025.

According to the Foreign Investment Law, the State Council shall promulgate or approve a list of special administrative measures for access of foreign investments, or the Negative List. The Foreign Investment Law grants national treatment to foreign-invested entities, except for those investing in the industries specified in the Negative List.

The National Development and Reform Commission and the Ministry of Commerce, or the MOFCOM, jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單) (2021年版)》), or the 2021 Negative List, in December 2021. The 2021 Negative List sets out the industries in which foreign investments are prohibited or restricted. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

Pursuant to the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation, or the SAMR on December 30, 2019 and became effective on January 1, 2020, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Pursuant to the 2021 Negative List and the Regulations for the Foreign-Invested Telecommunications Enterprises (Revised in 2022) (《外商投資電信企業管理規定(2022修訂)》), which was promulgated by the State Council in 2001 and most recently amended on March 29, 2022, the ultimate foreign equity ownership in a foreign-invested value-added telecommunication enterprise (except for the investment in e-commerce operation business, domestic multi-party communication business, information storage and re-transmission business or call center business) is subject to a cap of 50%.

REGULATIONS ON E-COMMERCE

Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), or the Telecommunications Regulations, as promulgated by the State Council in 2000 and most recently amended in 2016, requires telecommunications service providers to obtain operating licenses prior to the commencement of their operations. The Telecommunications Regulations distinguish "infrastructure telecommunications services" from "value-added telecommunications services" and operators of value-added telecommunications services shall obtain value-added telecommunications business operation licenses from the Ministry of Industry and Information Technology, or the MIIT, or its provincial branches prior to the commencement of such services.

Moreover, the Administrative Measures on Telecommunications Business Operating Licenses (2017 Revision) (《電信業務經營許可管理辦法(2017)》), or the Licenses Measures, promulgated by the MIIT in July 2017, set forth more provisions to specify the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for applying such licenses and the administration and supervision of such licenses.

Both the Company and Zhengzhou Guoquan Shihui Network Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司) have obtained the Value-added Telecommunications Business License according to the abovementioned regulations, and the scope of permitted services includes online data processing and transaction processing services.

E-commerce Activities

The Company has developed online sales channels including Guoquan APP, WeChat mini-program as well as popular social commerce platforms such as Douyin, and shall comply with the relevant regulations in relation to E-commerce activities to conduct its business through these channels.

According to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), or the E-Commerce Law, promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on August 31, 2018 and effective from January 1, 2019, specified that the natural persons, legal persons and other non-legal persons who sell goods or provide services through the Internet and other information networks in China are e-commerce operators. When engaging in operation activities, e-commerce operators shall adhere to the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics to participate in market competition fairly, perform obligations in respect of consumer rights protection, environmental protection, intellectual property protection, cyber security and personal information protection, assume product and service quality responsibilities, and accept the supervision of the government and society.

The Provisions on the Administration of Mobile Internet Applications Information Services (2022 Revision) (《移動互聯網應用程序信息服務管理規定(2022)》) which was promulgated by the Cyberspace Administration of China, or the CAC, on June 14, 2022 and effective from August 1, 2022, set forth the relevant requirements for the APP information service providers and APP store service providers, including acquiring relevant qualifications in accordance with laws and regulations, establishing sound information content review and management mechanism, and meeting the mandatory requirements of relevant national standards.

Pursuant to the Online Trading Supervision and Management Measures (《網絡交易監督管理辦法》) promulgated by the SAMR, on March 15, 2021, and effective from May 1, 2021, online trading operators who collect and use consumers' personal information, shall follow the principles of legality, propriety and necessity, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers' consent, and announce their policies on collection and use. In addition, online trading operators and their employees shall strictly keep confidential the personal information they have collected.

On April 23, 2021, the CAC and other six PRC regulatory authorities jointly issued the Administrative Measures for Online Live-Streaming Marketing (Trial Implementation) (《網絡直播營銷管理辦法(試行)》), which effective on May 25, 2021. According to these measures, live-streaming studio operators refer to individuals, legal persons, and other organizations that establish live-streaming studios to engage in online marketing activities by registering accounts on a live-streaming marketing platform or through self-built websites or other network services. Live-streaming marketing personnel refer to individuals that directly engage in marketing to the public in online live-streaming marketing. Operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit acts such as publicizing false or misleading information, marketing counterfeit or shoddy goods and fabricating or tampering with data traffic including transactions, attention, number of views, number of comments.

Pursuant to the Measures for Investigation and Handling of Illegal Acts Involving Online Food Safety (《網絡食品安全違法行為查處辦法》) promulgated by the State Administration of Food and Drug (now merged into the SAMR) in 2016, and later amended on April 2, 2021 and effective from June 1,2021, online food trading third-party platform providers or food producers or traders that trade through their self-established websites shall file a record with the competent department and obtain the filing number. Failing to perform aforementioned filing obligations may subject the provider or the food producer or trader to legal consequences such as being ordered to rectify, receiving warnings and being fined of not less than RMB5,000 but not more than RMB30,000 where the provider or the food producer or trader refuses to take corrective actions.

REGULATIONS ON FOOD OPERATION

As the provision of the Group's business covers food operation and production, the Group shall comply with the relevant provisions on food operation, such as obtaining the food operation license in accordance with the Administrative Measures for Food Operation Licensing, and conforming to measures specified in the Food Safety Law and its Implementation Regulations to ensure food safety, and assuming responsibilities for food safety according to the Administrative Measures for Food Recall.

Food Operation

On August 31, 2015, the State Administration of Food and Drug (now merged into the SAMR) promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the aforementioned Measures, entities or individuals involved in food selling and catering service in China shall obtain the food operation license, which shall be valid for 5 years. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types and the degree of risk of their operation projects, and applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects. Moreover, the SAMR promulgated the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) on June 15, 2023 and will be effected on December 1, 2023, which further clarifies the specific record-filing requirements for only selling prepackaged food.

Food Safety

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, which was promulgated by the SCNPC on February 28, 2009, and latest amended on April 29, 2021, and the Implementation Regulations for the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) promulgated by the State Council on July 20, 2009 and most recently amended on October 11, 2019 and effective from December 1, 2019, anyone who engages in food production, food selling, or catering services shall obtain the license according to the Food Safety Law. Food producers and business operators shall take and conform to the measures specified in the Food Safety Law and its Implementation Regulations to ensure food safety, violation of these required measures may subject food producers and business operators to the legal consequences including warnings, orders to rectify, confiscations of illegal gains, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

Food Recall System

According to the Administrative Measures for Food Recall (《食品召回管理辦法》) promulgated by the State Administration of Food and Drug (now merged into the SAMR) on March 11, 2015 and the most recently amended and effective from October 23, 2020, food producers and operators shall, according to law, assume primary responsibilities for food safety, by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where food producers or operators find the food under selling unsafe, they must immediately suspend the operations, inform relevant food producers and business operators, notify customers, and take necessary measures to mitigate food safety risks. Where any food operator violates the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the competent authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000.

Liquor Circulation

The Group sells alcohol products in stores and according to relevant regulations on liquor circulation, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, before July 10, 2023, stores in Shanghai are required to obtain such license before engaging in alcohol retailing.

Pursuant to Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the "13th Five-Year" Period (《商務部關於"十三五"時期促進酒類流通健康發展的指導意見》), which was promulgated by MOFCOM on February 13, 2017, it stipulates to eliminate the regional alcohol ban, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the formation of a large market and circulation of alcohol.

However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities (《上海市酒類商品產銷管理條例》), which was adopted by the Standing Committee of Shanghai People's Congress on September 17, 2010, local enterprises that engage in alcohol wholesaling must apply to the municipal wine monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district (county) wine administrative department for an alcohol retail license.

According to the Administrative Measures of Shanghai Municipality for Operation and Licensing of Alcohol Commodities (Trial Implementation) (《上海市酒類商品經營許可和管理辦法(試行)》) promulgated by the Administration of Market Regulation of Shanghai on February 28, 2020, a licensing system shall be practiced in the operation of wine commodities in Shanghai and no entity or individual shall be engaged in the operation of wine commodities without the permission. On March 30, 2022,the validity period of the said Measures was extended to March 31, 2024 according to an announcement by the Administration of Market Regulation of Shanghai.

On June 7, 2023, the Administration of Market Regulation of Shanghai released an Announcement Regarding the Adjustment of Relevant Matters of Operation and Licensing of Alcohol Commodity (《關於調整酒類商品經營許可有關事項的公告》) (the "Announcement"), which will take effect on July 10, 2023, and be valid until July 9, 2028. According to the Announcement, Shanghai will no longer issue a separate alcohol wholesale license or retail license and the operation of alcohol commodities shall be incorporated in the scope of food operation licenses. The alcohol wholesale licenses or retail licenses that have been issued shall remain valid within their validity period. If the operators continue to engage in operation of alcohol commodities when their licenses are expired, they shall apply for a food operation license that contains alcohol commodity operation.

REGULATIONS ON PRODUCT QUALITY

As the provision of the Group's business covers food operation and production, the Group shall comply with the Product Quality Law and adopt measures to maintain the quality of products for sale, and be responsible for the quality of their products.

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 and effective from the same date, producers shall be responsible for the quality of their products and sellers shall adopt measures to maintain the quality of products for sale. Where a defective product causes physical injury or damage to a third-party's property, the victim may claim compensation from the manufacturer or the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer, and vice versa, if the manufacturer pays compensation and it is the seller that is liable, the manufacturer has a right of recourse.

REGULATIONS ON COMMERCIAL FRANCHISING

The Company is operating the franchise business model and therefore shall comply with relevant regulations including the Administration of Commercial Franchising and the Administrative Measures for the Filing of Commercial Franchisees. It is required to file with competent authority and govern franchise agreements according to such regulations.

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on February 6, 2007, and took effect on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licences through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the Ministry of Commerce, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the Ministry of Commerce. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On December 12, 2011, the Ministry of Commerce promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which took effect on February 1, 2012 and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the Ministry of Commerce or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the Ministry of Commerce for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the Ministry of Commerce or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), which was promulgated by the Ministry of Commerce on April 30, 2007, and later amended on February 23, 2012 and effective from April 1, 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

REGULATIONS ON SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

Pursuant to the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》), or the Administrative Measures on Single purpose Prepaid Cards, which was promulgated by MOFCOM in 2012 and was amended in 2016, single-purpose commercial prepaid cards are prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in various forms such as magnetic stripe cards, chip cards, and paper coupons as well as virtual cards. Card-issuers shall complete filing formalities within 30 days from the date of carrying out single purpose card businesses. Violation of the aforementioned regulations may result in an order of rectification. Where the card issuer fails to rectify within a stipulated period, a fine ranging from RMB10,000 to RMB30,000 may be imposed. Henan Guoquan has issued single-purpose commercial prepaid cards for consumers who use to pay for products through the Company's Guoquan APP, WeChat mini-program and in offline retail stores. As such, it shall comply with the Administrative Measures on Single-Purpose Commercial Prepaid Cards.

REGULATIONS ON CONSUMER PROTECTION

The Group is engaged in the sale of food to consumers and therefore shall comply with the Consumers Rights and Interests Protection Law.

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), or the Consumer Protection Law, which was promulgated in 1993 by the SCNPC and latest amended on October 25, 2013 and effective from March 15, 2014, it imposes stringent requirements and obligations on business operators including, among others, (i) guarantee that the products and services they provide satisfy the requirements for personal safety or property security, (ii) provide consumers with authentic and complete information about the quality, function, usage and term of validity of the products or services, (iii) ensure the actual quality and functionality of products or services are consistent with advertising materials, product descriptions or samples, failure of which may subject business operators to civil liabilities such as repairing, remaking, exchanging or returning of commodities, making up shortage, refunding purchase prices and service fees, and compensation, and even subject the business operators to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The Company's business processes personal information of users, franchisees and suppliers, and thus are required to comply with applicable laws, rules and regulations relating to the process of personal information.

Regulations on Privacy Protection

Pursuant to the PRC Civil Code, personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide, or make public personal information of others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which issued by the SCNPC on August 29, 2015, and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than 50 million RMB or less than 5% of the previous year's turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

Regulations on Internet Information Security

The Decisions on Protection of Internet Security enacted by the SCNPC (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) in 2000, as amended on August 27, 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programs, such as computer viruses, to attack the computer system and the communications network, thereby damaging the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorization, causing the computer network or communication system to fail to operate normally; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators are broadly defined as owners and administrators of networks and network service provider and subject to various security protection-related obligations, including but not limited to (i) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity incidents; (ii) formulating a emergency plan and promptly responding to and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) providing technical assistance and support to public security and national security authorities for protection of national security and criminal investigations in accordance with the law.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

On July 6, 2021, the General Office of the CPC Central Committee, and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and improve the legislation on data security, cross-border data transmission, and confidential information management.

On November 14, 2021, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security Management, which specified that data processor who process the personal information of more than one million individuals and seeks to go public overseas, shall apply for cybersecurity review. In addition, the Draft Regulations on Cyber Data Security Management also regulate other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-broader data safety management and obligations of network platform operators.

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which became effective on February 15, 2022. The

Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that the purchase of cyber products and services or network platform operators that engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office.

On July 7, 2022, the CAC has promulgated the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which takes effect on September 1, 2022, and requires that any data processor providing important data collected and generated during operations within the territory of the PRC or personal information that should be subject to security assessment according to the relevant law to an overseas recipient shall conduct security assessment. The Measures for the Security Assessment of Cross-border Data Transfer provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where the important data are transferred to an overseas recipient; (ii) where the personal information is transferred to an overseas recipient by an operator of critical information infrastructure or a data processor that has processed personal information of more than one million people; (iii) where a data processor provides personal information to an overseas recipient if such data processor has already provided overseas the personal information of 100,000 people or sensitive personal information of 10,000 people since January 1 of the preceding year; or (iv) other circumstances under which security assessment of outbound data transfer is required as prescribed by the national cyberspace administration.

REGULATIONS ON ENVIRONMENTAL PROTECTION

As the provision of the Group's business includes food production, the Group shall comply with regulations on environmental protection to construct and operate production facilities as well as discharge pollutants.

Regulations on Environmental Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated on December 26, 1989 by SCNPC, and most recently amended on April 24, 2014, and took effect on January 1, 2015. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

Regulations on Environmental Impact Assessment and Completion Acceptance

According to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, and latest amended on December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and effective on October 1, 2017, and the Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) on November 20, 2017, the State implements classified management on the environmental impact assessment of construction projects in accordance with the degree of impact of construction projects on the environment. Construction entities shall organize the preparation of environmental impact report, environmental impact statement, or filling in environmental impact registration form in accordance with the degree of impact of construction projects on the environment. According to the Environmental Impact Assessment Law, where a construction entity put the construction project into production or use while the complementary environmental protection facilities of a construction project are not constructed or have not undergone acceptance inspection or do not pass acceptance inspection, the ecological environment authorities at the county level or above shall order it to make correction within a stipulated period and impose a fine ranging from RMB200,000 to RMB1 million; where correction is not made within the stipulated period, a fine ranging from RMB1 million to RMB2 million shall be imposed; for the person-in-charge and other responsible personnel, a fine ranging from RMB50,000 to RMB200,000 shall be imposed; where the construction project causes significant environmental pollution or ecological damage, the production or use shall be suspended, or the project shall be closed down upon approval by the competent government.

Regulations on Pollutant Discharge Permit

According to the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) promulgated on May 11, 1984 and most recently amended on June 27, 2017, and the Environmental Protection Law, and the Administrative Measures for Pollutant Discharge Permit (Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment) and latest amended on August 22, 2019, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution. The State implements a pollutant discharge permit management system and enterprises and other production operators that are included in the classification management catalog of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit, and the pollutant discharge entities that are not included in the scope are not required to apply for a pollutant discharge permit for the time being. According to the Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in 2015 and most recently amended in December 2022 and effective on February 1, 2023, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network, or the Drainage Permit.

Pursuant to the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, all enterprises and individuals generating or engaging in the collection, storage, transport, utilization or disposal of solid wastes shall adopt measures to prevent or reduce environmental pollution by solid wastes and shall bear liability for any resulting environmental pollution in accordance with the law. In accordance with the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄

(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019, the State implements key management, simplified management and registration management of pollutant discharge permits based on factors such as the amount of pollutants generated and discharged, the degree of impact on the environment. The pollutant discharge entity that generates or discharges very small amount of pollutants and has small impact on the environment shall be implemented registration management, and is not required to apply for a pollutant discharge license, but shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform.

REGULATIONS ON CONSTRUCTION AND FIRE PREVENTION

The Group shall comply with regulations on construction and fire prevention to conduct construction projects.

Construction Permits

Pursuant to the Administrative Measures on the Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on June 25, 2014 and latest amended on March 30, 2021, the construction entity shall apply for the Construction Permit before commencing the construction and decoration of all types of buildings and their ancillary facilities, the installation of supporting lines, pipelines and equipment, and the construction of municipal infrastructure projects in cities and towns within the territory of China, provided that the investment amount of the construction project is below RMB300,000 or the construction area of the construction project is below 300 sq.m.. With respect to each construction project that commenced without a Construction Permit, the construction entity may be ordered to suspend construction, take remedial measures within a prescribed period, and may be fined 1% to 2% of the contract price of the construction project, while the contractor may be subject to a fine of up to RMB30,000.

Fire Prevention

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and most recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, fire acceptance should be done for special construction projects which meet certain conditions, fire filing should be done for other types of construction projects. The construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant governmental authorities to close down and shall be imposed a fine of RMB30,000 up to RMB300,000.

On August 12, 2015, the Ministry of Public Security promulgated Eight Measures to Deepen Reform and Serve Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 sq.m. is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures.

REGULATIONS ON REAL ESTATE LEASING

As the Group leases properties, it is regulated by the Civil Code and the Administrative Measures on Leasing of Commodity Housing.

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Competition among business operators, including the Company, is generally governed by the Anti-unfair Competition Law and Price Law.

Anti-Unfair Competition Law

Competition among business operators is generally governed by the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which was promulgated by SCNPC on September 2, 1993, and amended on November 4, 2017, and April 23, 2019, respectively. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness, and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of damaging the lawful rights and interests of other operators or consumers. According to the Anti-Unfair Competition Law, improper market activities including infringing the business secrets of others, conducting false or misleading publicity through advertising or other means are in violation of the law and may result in imposition of fines, confiscation of gains derived from such violation, and in severe circumstances, revocation of business licenses.

Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》), or the Price Law, which was promulgated by the SCNPC on December 29, 1997 and effective on May 1, 1998, business operators are prohibited from engaging in unfair pricing activities, including manipulating market prices, dumping commodities at a price lower than cost, manipulation of prices, deception of consumers or other business operators by using false or misleading prices, and price discrimination. If a business operator violates the Price Law, he/she shall be subject to administrative penalties, such as warning, cessation of illegal activities, confiscation of illegal gains and fines, and the business operator may be ordered to suspend business for rectification or the business license may be revoked in severe circumstances.

REGULATIONS ON THIRD-PARTY SETTLEMENT ARRANGEMENT AND USE OF PERSONAL BANK ACCOUNTS

Pursuant to the PRC Company Law, companies shall not establish separate accounting books other than statutory accounting books and company assets shall not be deposited in accounts opened and maintained in the name of any individual. A company that violates the provision and establishes separate accounting books, shall be ordered to rectify and imposed a fine ranging from RMB50,000 to RMB500,000.

According to the Measures for the Administration of RMB Bank Settlement Accounts (《人民幣銀行結算帳戶管理辦法》), which was promulgated by the People's Bank of the PRC on April 10, 2003 and later amended on April 29, 2020, if an entity settles its corporate funds through a personal bank account, a warning or fine ranging from RMB5,000 to RMB30,000 will be imposed upon such entity.

According to the Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), or the Anti-money Laundering Law, which was promulgated by the SCNPC on October 31, 2006, anti-money laundering mean the adoption of relevant measures stipulated in the Anti-money Laundering Law to prevent money laundering activities by various means to hide or conceal the source and nature of gains and other profits from drug offences, organised crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, financial fraud, etc.. Where a violation of the provisions of the Anti-money Laundering Law constitutes a criminal offence, criminal liability shall be imposed according to the law.

REGULATIONS ON INTELLECTUAL PROPERTY

The Group's intellectual property rights primarily consist of trademarks, copyrights, patents and domain names and the Company is required to comply with regulations on intellectual property.

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record, and the Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Conducts that shall constitute an infringement of the exclusive right to use a registered trademark include but not limited to using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the permission of the trademark registrant, and the infringing party will be ordered to stop the infringement act immediately and may be imposed a fine. The infringing party may also be held liable for the right holder's damages, which will be equal to gains obtained by the infringing party or the losses suffered by the right holder as a result of the infringement, including reasonable expenses incurred by the right holder for stopping the infringement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights shall be enjoyed by the copyright owners.

Pursuant to the Regulation on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and latest amended on January 30, 2013, and the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations.

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and 10 years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Domain Names

The Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) was promulgated by the MIIT in 2017, which adopts "first to file" rule to allocate domain names to applicants, and provide that the MIIT shall supervise the domain names services nationwide and publicize the PRC domain name system. After completion of the registration procedures, the applicant will become the holder of the relevant domain name.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

The Group shall comply with regulations on employment and social welfare to recruit employees, including entering fixed-term employment contracts with employers pursuant to the Labor Law and the Labor Contract Law. As such, it makes social insurance and housing provident fund contributions for employees according to the Social Insurance Law and the Administration of Housing Provident Funds.

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》), or the Labor Contract Law and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers". Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》), or the Social Insurance Law, issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

REGULATIONS ON FOREIGN EXCHANGE

As certain of the Company's shareholders are foreign shareholders, the Company shall comply with regulations on foreign exchange to converting, listing and trading its domestic as H shares on the Hong Kong Stock Exchange.

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements. The interpretation and implementation in practice of SAFE Circular 28 and SAFE Circular 8 may be still subject to future changes given they are newly issued regulations.

Regulations relating to Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the SAFE Circular 7, promulgated by SAFE in February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions.

REGULATIONS ON TAXATION

As PRC domestic enterprises, the Group shall comply with regulations on taxation.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in April 2019, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the VAT.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the VAT rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Regulations on Dividend Distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the PRC Company Law (《中華人民共和國公司法》), promulgated in 1993 and latest amended in 2018, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

The Enterprise Income Tax Law provides that since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investors' jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Double Tax Avoidance Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to

5%. However, based on the Notice of the State Administration of Taxation on Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), issued by SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) issued by SAT on February 3, 2018 and took effect on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

REGULATIONS ON OVERSEAS LISTINGS

On February 17, 2023, the China Securities Regulatory Commission, or the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("**Trial Measures**") together with 5 supporting guidelines (together with the Trial Measures, collectively referred to as the "New Regulations on Filing"). Under New Regulations on Filing, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The New Regulations on Filing provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), or the Provision on Confidentiality. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

The Company, as a PRC domestic company, shall comply with the abovementioned New Regulations on Filing and relevant provisions to offer and list securities on the Hong Kong Stock Exchange.

REGULATIONS ON THE H SHARE "FULL CIRCULATION"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange.

Pursuant to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (Announcement of the CSRC [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》》(中國證監會公告[2019]22號)), or the Guidelines for the "Full Circulation", promulgated by the CSRC on November 14, 2019 and effective from the same date, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》), or the Measures for Implementation, promulgated by the China Securities Depository and Clearing Corporation Limited, or the CSDC, and Shenzhen Stock Exchange, or the SZSE, on December 31, 2019, the businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, or the CSDC (Hong Kong), and SZSE.

In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈<H股"全流通"業務指南>的通知》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

According to the Notes on the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《關於<境內企業境外發行證券和上市管理試行辦法>的說明》), the New Regulations Filing aims to strengthening institutional inclusiveness and deepening opening-up, and lays out "full circulation" arrangements. For the overseas offering and listing by a domestic company, holders of its domestically-based domestic unlisted shares are allowed after filing to convert the shares into overseas listed shares to be circulated on overseas trading venues.

OVERVIEW

Our history can be traced back to 2015 when Mr. Yang, Mr. Meng and Mr. Li established Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) to start providing home meal products in the PRC. In 2019, Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈(上海)有限公司), being the predecessor of our Company, was established as our headquarters. In 2023, our Company was converted into a joint stock company with limited liability and was renamed as Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司). We are a leading one-stop home meal products brand with nationwide retail store network and proprietary products. As of the Latest Practicable Date, our store network had a total of 10,025 stores.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2015	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司), which subsequently became our subsidiary, was established in the PRC.
2017	In January, our first retail store was launched in Zhengzhou, Henan Province.
2018	In January, we expanded our retail store network to over 100 stores.
2019	In January, we expanded our retail store network to over 500 stores.
	In July, Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈(上海)有限公司), being our predecessor, was established in the PRC.
2020	In June, Guoquan APP was launched.
2022	In December, the number of our cumulative contracted stores exceeded 10,000.
2023	The Company was converted into a joint stock company with its name changed to Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司).

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company carried out our business through our Company and our operating subsidiaries in the PRC. Among all of our subsidiaries, Luyi Heyi is the only significant subsidiary of our Company pursuant to Rule 14A.09. Set out below is the corporate information of our major subsidiaries that made a material contribution to our performance during the Track Record Period:

Henan Guoquan

Henan Guoquan was established as a limited liability company under the laws of the PRC on January 5, 2015, with an initial registered capital of RMB2,000,000. As of the date of establishment, Henan Guoquan was owned as to 52% by Mr. Yang, 36% by Mr. Meng, 10% by Mr. Li and 2% by Mr. Liu Yawei (劉亞威). In August 2018, the registered capital of Henan Guoquan was increased from RMB2,000,000 to RMB10,000,000 with shareholding structure unchanged.

In July 2019, Mr. Yang, Mr. Meng, Mr. Li and Mr. Liu Yawei transferred the entire equity interest in Henan Guoquan to the Company, at a consideration of RMB6,640,000. The consideration was determined after arm's length negotiations with reference to the then paid-up registered capital of Henan Guoquan.

As of the Latest Practicable Date, Henan Guoquan was a direct wholly-owned subsidiary of the Company.

Henan Guoquan is principally engaged in the supply chain management.

Luyi Heyi

Luyi Heyi was established as a limited liability company under the laws of the PRC on May 13, 2020, with an initial registered capital of RMB10,000,000. As of the date of establishment, Luyi Heyi was wholly owned by a family member of Mr. Liu Yawei (劉亞威). After several rounds of transfer, in July 2021, Luyi Heyi was owned as to 51% by Mr. Liu Yawei and 49% by Shanghai Niuxian Roupin Enterprise (Limited Partnership) (上海牛鮮肉品合夥企業(有限合夥)) ("**Shanghai Niuxian Roupin**"), both were Independent Third Parties at the time of such transfer.

As part of our Company's development strategy to i) expand its layout in upstream industry chain, ii) control the production and supply of our major products, and iii) cooperate with the then shareholders of Luyi Heyi and leverage their resources and operation experience in the beef supply chain, in August 2021, Guoquan Investment Management (Shanghai) Co., Ltd. (鍋圈投資管理(上海)有限公司) ("**Guoquan Investment**"), a wholly-owned subsidiary of the Company, acquired 51% of the equity interest in Luyi Heyi from Mr. Liu Yawei at nil consideration. The consideration was determined after arm's length negotiation with reference to its net asset value (0.05 million) and the respective unpaid share capital, as well as the fact that Luyi Heyi was yet to be commercialized, as of the date of such acquisition. Upon completion of such acquisition, Luyi Heyi was owned as to 51% by Guoquan Investment and 49% by Shanghai Niuxian Roupin. In August 2021, the registered capital of Luyi Heyi was increased from RMB10,000,000 to RMB50,000,000 with shareholding structure unchanged.

As of the Latest Practicable Date, Luyi Heyi was owned as to 51% by Guoquan Investment and 49% by Shanghai Niuxian Roupin which in turn was owned as to 35% by Mr. Yang Ran (楊冉) as its general partner, 35% by Mr. Liu Guodong (劉國棟) as its limited partner and 30% by Mr. Liu Yawei as its limited partner. Due to the acquisition of Luyi Heyi, Mr. Yang Ran became a connected person of the Company as he is a substantial shareholder and supervisor of Luyi Heyi, Mr. Liu Yawei became a connected person of the Company as he is a general manager of Luyi Heyi, Mr. Liu Guodong became a connected person of the Company as he is a director of Luyi Heyi.

Luyi Heyi is principally engaged in food production and sales, such as beef products.

Luyi Chengming

In order to develop hotpot soup base products, Luyi Chengming was established as a limited liability company under the laws of the PRC on October 29, 2019, with an initial registered capital of RMB50,000,000. As at the date of the establishment, Luyi Chengming was owned as to 70.00% by Ms. Yang Tongyu (楊童雨) ("**Ms. Yang**"), the daughter of Mr. Yang and a manager in Luyi Chengming, and 30.00% by Mr. Zhao Yueping (趙躍平), an Independent Third Party.

In 2020, Luyi Chengming started to set up its production plant and commenced production of hotpot soup base products in late 2020. To develop its business, Luyi Chengming has received several rounds of investments and acquired Sichuan Chengming. On November 17, 2022, Luyi Chengming was owned as to approximately 51.30% by Ms. Yang, 11.70% by Henan Chengming Management Service Center (Limited Partnership) (河南澄明管理服務中心(有限合夥)) ("**Henan Chengming**"), 11.00% by Henan Yixiang Management Service Center (Limited Partnership) (河南溢香管理服務中心(有限合夥)) ("**Henan Yixiang**"), 10.00% by Suzhou Yizhong, 6.00% by Renzhe Buyou, 5.00% by Generation Pi HK, 2.50% by Guoquan Investment (a wholly-owned subsidiary of our Company), 2.25% by CMB Growth and 0.25% Zhuhai Gongying. Each of Suzhou Yizhong, Renzhe Buyou, Generation Pi HK, CMB Growth and Zhuhai Gongying is a strategic or financial investor and Independent Third Party. Henan Chengming was an employee incentive platform for Mr. Wei Deli (危得利) and Ms. Shi Yunxia (史雲霞) ("**Ms. Shi**"), the core employees of Luyi Chengming. Henan Yixiang was a limited partnership controlled by Mr. Zhao Yueping, an Independent Third Party.

On November 21, 2022, as part of our development strategy to continue our operation in upstream industry chain, in order to control the production and supply of our major products, as well as to improve our financial performance by developing upstream production plant, we acquired 74.8% of the equity interest in Luyi Chengming, after which Luyi Chengming became our subsidiary. For further details, see the subsection headed "Establishment and Development of Our Company — (8) Series C-2 Financing via Luyi Chengming Acquisition" in this section. The consideration for the acquisition of 74.8% of the equity interest in Luyi Chengming (RMB261.8 million) was determined after arm's length negotiations between the Company and the then shareholders of Luyi Chengming, with reference to its plant output, financial performance, as well as the asset valuation report of Luyi Chengming as of August 31, 2022, of which the total appraised value of Luyi Chengming was RMB350.0 million.

As of the Latest Practicable Date, Luyi Chengming was a non wholly-owned subsidiary of our Company, which was owned as to 77.30% by our Company, 11.70% by Henan Chengming and 11.0% by Henan Yixiang. As of the Latest Practicable Date, both Henan Chengming and Henan Yixiang were Independent Third Parties. Henan Chengming was owned as to 76.93% by Mr. Wei Deli as its general partner and 23.07% by Ms. Shi as its limited partner. Mr. Wei Deli is an Independent Third Party and Ms. Shi is a supervisor of Luyi Chengming.[(1)] Henan Yixiang was owned as to 90.00% by Mr. Zhao Yueping as its general partner and 10.00% by Ms. Fu Ruizhen (付瑞珍) as its limited partner, both Independent Third Parties.

Luyi Chengming is principally engaged in the production of hotpot soup base products.

Wanlai Wanqu

Ms. Shi, who was a core employee in Luyi Chengming with deep management and operation experience and has over 10 years experience in operational and financial management, established Wanlai Wanqu meatball production business with several financial investors including Mr. Wei Guohua (魏國華), Mr. Liu Chuanshen (劉傳申), Mr. Liu Chuanjie (劉傳傑) and Mr. Zheng Guibin (鄭桂彬). Mr. Wei Guohua is an Independent Third Party and each of Mr. Liu Chuanshen, Mr. Liu Chuanjie and Mr. Zheng Guibin is a brother-in-law of Mr. Yang. Wanlai Wanqu was founded as a limited liability company under the laws of the PRC in February 2021 with a registered share capital of RMB5,000,000.

In August 2021, as part of our development strategy to continue our operation in upstream industry chain, in order to control the production and supply of our major products, and improve our financial performance by developing upstream production plant, we acquired 51% equity interest in Wanlai Wanqu at nil consideration. The consideration was determined after arm's length negotiation with reference to its net asset value (nil), the respective unpaid share capital, as well as the fact that Wanlai Wanqu has yet to commence production as of the date of such acquisition.

As of the Latest Practicable Date, Wanlai Wanqu was owned as to 51% by our Company and 49% by Hainan Jiumu Enterprise Management Center (Limited Partnership) (海南久木企業管理中心(有限合夥)) ("**Hainan Jiumu**"). As of the Latest Practicable Date, Hainan Jiumu was owned as to 18.37% by Ms. Shi as its general partner, 38.78% by Mr. Liu Chuanshen, 19.39% by Mr. Liu Chuanjie, 19.39% by Mr. Wei Guohua and 4.08% by Mr. Zheng Guibin as its limited partners. All the voting rights, all powers to control and manage the business and affairs in Hainan Jiumu are exclusively vested in its sole general partner, Ms. Shi, a director and general manager of Wanlai Wanqu, and none of the limited partners of Hainan Jiumu have any voting rights, any power to control or manage the business and affairs in Hainan Jiumu. Save as disclosed above, Hainan Jiumu has no other relationship with the Company.

Wanlai Wanqu is principally engaged in the production of meatballs.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of our acquisition of Luyi Heyi, Luyi Chengming or Wanlai Wanqu exceed 25%. Accordingly, the relevant pre-acquisition financial information of Luyi Heyi is not required to be disclosed pursuant to Rule 4.05A. Each of Henan Guoquan, Luyi Chengming and Wanlai Wanqu is an insignificant subsidiary pursuant to Rule 14A.09.

Note:

(1) Ms. Shi is a core connected person of the Company due to her position as a supervisor of Luyi Chengming under Chapter 1 of the Listing Rules.

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of Our Company

On July 11, 2019, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB10,000,000. The shareholding structure of our Company upon establishment was set forth in the table below:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	(%)
Mr. Yang(1)	5,300,000	53.00
Mr. Meng(2)	3,600,000	36.00
Mr. Li(3)	1,000,000	10.00
Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司 ("**Henan Guoquan**"))(4)	100,000	1.00
Total	**10,000,000**	**100**

Notes:

(1) Mr. Yang is an executive Director of our Company and one of our Controlling Shareholders.

(2) Mr. Meng is an executive Director of our Company and one of our Controlling Shareholders.

(3) Mr. Li is one of our Controlling Shareholders and a former director of our Company. In September 2021, Mr. Li transferred the registered capital of the Company of RMB206,013 to Top New, with Mr. Jiang Nanchun (an Independent Third Party) as its ultimate beneficial owner, at the consideration of USD20 million. The consideration was determined after arm's length negotiations with reference to the then market value of the Company. Mr. Li resigned from the Board with effective from March 2023 since he is unable to devote sufficient time to the affairs of the Board due to other work arrangements. There is no disagreement between Mr. Li and the Group.

(4) Henan Guoquan was controlled by Mr. Yang, Mr. Meng and Mr. Li as at the establishment of our Company and has been our wholly-owned subsidiary since July 16, 2019.

(2) Equity Transfer in July 2019

In July 2019, Henan Guoquan transferred the registered capital of our Company of RMB100,000 (representing 1.00% of the shareholding of the Company) to Mr. Yang at nil consideration, taking into account the fact that the registered capital of our Company had not been paid up.

Upon completion of such transfer, the Company was owned as to 54.00% by Mr. Yang, 36.00% by Mr. Meng and 10.00% by Mr. Li, respectively.

(3) Equity Transfers in October 2019 and Series Pre-A Financing

In October 2019, Mr. Yang, Mr. Meng and Mr. Li transferred the registered capital of our Company of RMB963,380, RMB642,253 and RMB178,404 (representing 9.63%, 6.42% and 1.78% of the shareholding of the Company, respectively) to Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) (上海鍋小圈企業管理中心(有限合夥))

("**Guoxiaoquan EM**"), which has been ultimately controlled by Mr. Yang, at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer. The equity transfer was completed on October 16, 2019.

In October 2019, Mr. Yang, Mr. Meng and Mr. Li transferred the registered capital of our Company of RMB363,384, RMB242,248 and RMB67,294 (representing 3.63%, 2.42% and 0.67% of the shareholding of the Company, respectively) to Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) (上海鍋小圈農業科技服務中心(有限合夥)) ("**Guoxiaoquan Tech**"), which has been ultimately controlled by Mr. Yang, at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer. The equity transfer was completed on October 16, 2019.

In October 2019, Chengdu Quanyi acquired the registered capital of our Company of RMB219,721, RMB146,480 and RMB40,689 (representing respectively 2.20%, 1.46% and 0.41% of the registered capital of the Company immediately after such transfer) from Mr. Yang, Mr. Meng and Mr. Li at the consideration of approximately RMB13,500,000, RMB9,000,000 and RMB2,500,000, respectively. The consideration was determined after arm's length negotiations with reference to the then market value of our Company.

We have completed Series Pre-A Financing in April 2020, through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB11,893,578.

Subscribers	Registered capital subscribed for/acquired	Consideration	Percentage of shareholding subscribed immediately after this round financing
	(RMB)	**(RMB)**	**(%)**
Series Pre-A Financing			
*Shanghai Buyue Ertong Venture Capital Partnership (Limited Partnership) (上海不約而同創業投資合夥企業(有限合夥)) ("**Buyue Ertong**")[(1)]*	888,889	33,000,000	7.47
*Huzhou Buqi Zhiqi Equity Investment Partnership (Limited Partnership) (湖州不器之器股權投資合 夥企業(有限合夥)) ("**Buqi Zhiqi**")[(2)]*	222,222	12,000,000	1.87
*Chengdu Quanyi Food Co., Ltd. (成都全益食品有限公司) ("**Chengdu Quanyi**")[(3)]*	782,467	25,000,000	6.58
Total	**1,893,578**	**70,000,000**	**15.92**

Notes:

(1) The ultimate beneficial owner of Buyue Ertong is Mr. Li Zhujie (李祝捷), an Independent Third Party.

(2) The ultimate beneficial owners of Buqi Zhiqi are Mr. Li Zhujie and Mr. Gao Hejian (高賀健), both Independent Third Parties.

(3) The ultimate beneficial owner of Chengdu Quanyi is Sanquan Food Co., Ltd. (三全食品股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002216).

Upon completion of such equity transfers and the Series Pre-A Financing, our shareholding structure was as follows:

Shareholders	Registered capital	Percentage of shareholding
	(RMB)	(%)
Mr. Yang	3,853,519	32.40
Mr. Meng	2,569,013	21.60
Mr. Li	713,615	6.00
Guoxiaoquan EM	1,784,037	15.00
Guoxiaoquan Tech	672,926	5.66
Buyue Ertong	888,889	7.47
Buqi Zhiqi	222,222	1.87
Chengdu Quanyi	1,189,357	10.00
Total	**11,893,578**	**100.00**

(4) Series A Financing

We have completed the Series A Financing in August 2020 through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB14,636,581.

Subscribers	Registered capital subscribed for/acquired	Consideration	Percentage of shareholding subscribed immediately after this round financing
	(RMB)	(RMB)	(%)
Series A Financing			
*FAMOUS WEALTHY LIMITED ("**Famous Wealthy**")*[1]	1,463,658	135,000,138	10.00
*Generation One Holdings Ltd ("**Generation One**")*[2]	758,934	70,000,092	5.19
*Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)) ("**Suzhou Yizhong**")*[2]	325,257	30,000,000	2.22
Buqi Zhiqi[3][4]	195,154	18,000,000	1.33
Total	**2,743,003**	**253,000,230**	**18.74**

Notes:

(1) The ultimate beneficial owners of Famous Wealthy are Mr. Ho Chi Sing and Mr. Zhou Quan, both Independent Third Parties.

(2) The ultimate beneficial owner of Generation One and Suzhou Yizhong is Mr. Wei Zhe (衛哲), an Independent Third Party.

(3) In November 2020, Buqi Zhiqi transferred the registered capital of our Company of RMB98,783 to Buhuovc Platinum at the consideration of USD4,000,000. The consideration was determined after arm's length negotiations with reference to the then market value of the Company.

(4) In August 2021, Buqi Zhiqi transferred the registered capital of our Company of RMB117,588 to TN Titanium Limited ("**Titanium**") at the consideration of USD10,000,000.

Upon completion of the Series A Financing, our shareholding structure was as follows:

Shareholders	**Registered capital**	**Percentage of shareholding**
	(RMB)	**(%)**
Mr. Yang	3,853,519	26.33
Mr. Meng	2,569,013	17.55
Mr. Li	713,615	4.88
Guoxiaoquan EM	1,784,037	12.19
Guoxiaoquan Tech	672,926	4.60
Buyue Ertong	888,889	6.07
Buqi Zhiqi	417,376	2.85
Chengdu Quanyi	1,189,357	8.13
Famous Wealthy	1,463,658	10.00
Generation One	758,934	5.19
Suzhou Yizhong	325,257	2.22
Total	**14,636,581**	**100.00**

(5) Series B Financing

We have completed the Series B Financing in December 2020 through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB16,462,368.

Subscribers	Registered capital subscribed for/acquired	Consideration	Percentage of shareholding subscribed immediately after this round financing
	(RMB)	(RMB)	(%)
Series B Financing			
Famous Wealthy	331,961	70,577,213	2.02
Generation One	331,961	70,577,213	2.02
*GENERATION PI HK INVESTMENT LIMITED ("**Generation Pi HK**")[(1)]*	663,923	141,154,638	4.03
*Buhuovc Platinum Limited ("**Buhuovc Platinum**")[(2)]*	232,373	49,404,113	1.41
*Lighthouse Development (HK) Limited ("**Lighthouse**")[(3)]*	165,981	35,288,713	1.01
*Ningbo Buyi Zhongneng Equity Investment Partnership (Limited Partnership (寧波不一眾能股權投資合夥企業(有限合夥) (formerly known as Ningbo Buhuo Zhongpei Equity Investment Partnership (Limited Partnership) (寧波不豁眾配股權投資合夥企業(有限合夥)) ("**Ningbo Buhuo**"))[(4)]*	99,588	21,173,100	0.60
Total	**1,825,787**	**388,174,988**	**11.09**

Notes:

(1) Mr. Chang Bin (常斌) was appointed as our former director pursuant to the previous special rights granted to Generation Pi HK. The ultimate beneficial owner of Generation Pi HK is Ms. Li Mao Chun, an Independent Third Party other than being an associate of Mr. Chang Bin.

(2) The ultimate beneficial owner of Buhuovc Platinum is Mr. Li Zhujie, an Independent Third Party.

(3) The ultimate beneficial owner of Lighthouse is Mr. Zheng Xuanle (鄭烜樂), an Independent Third Party.

(4) In November 2020, Ningbo Buhuo transferred the registered capital of our Company of RMB99,588 to Buhuovc Platinum at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer.

Upon completion of the Series B Financing, our shareholding structure was as follows:

Shareholders	**Registered capital**	**Percentage of shareholding**
	(RMB)	**(%)**
Mr. Yang	3,853,519	23.41
Mr. Meng	2,569,013	15.61
Mr. Li	713,615	4.33
Guoxiaoquan EM	1,784,037	10.84
Guoxiaoquan Tech	672,926	4.09
Buyue Ertong	888,889	5.40
Buqi Zhiqi	417,376	2.54
Chengdu Quanyi	1,189,357	7.22
Famous Wealthy	1,795,619	10.91
Generation One	1,090,895	6.63
Suzhou Yizhong	325,257	1.98
Generation Pi HK	663,923	4.03
Buhuovc Platinum	232,373	1.41
Lighthouse	165,981	1.01
Ningbo Buhuo	99,588	0.61
Total	**16,462,368**	**100.00**

(6) Series C-1 Financing and capital increase from Guoxiaoquan EM

We have completed the Series C-1 Financing and capital increase from Guoxiaoquan EM in August 2021 through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB20,601,378.

Subscribers	Registered capital subscribed for/acquired	Consideration	Percentage of shareholding subscribed immediately after this round financing
	(RMB)	(RMB)	(%)
Series C-1 Financing			
Mr. Wei Kun (魏坤)(1)(2)	345,710	193,599,000	1.68
Chongqing Zhaoying Langyao Growth Phase II Equity Investment Fund Partnership (Limited Partnership) (重慶市招贏朗曜成長二期股權投資基金合夥企業(有限合夥)) ("**Chongqing Langyao**")(3)	1,515,361	848,608,950	7.36
Generation Pi HK	115,237	64,533,236	0.56
Titanium(4)	345,710	193,599,149	1.68
Mr. Wang Hongbo (王紅波)(1)	97,951	54,852,999	0.48
Tiantu China Consumer Fund II Limited (天圖中 國消費基金二期有限公司) ("**Tiantu Fund**")(5)	345,710	193,599,149	1.68
Shenzhen Tongfu Trading Co., Ltd. (深圳通福商貿有限公司) ("**Shenzhen Tongfu**")(6)	230,473	129,091,938	1.12
Shenzhen Xintonglu Supply Chain Technology Co., Ltd. (深圳市新通路供應鏈技術有限公司) ("**Shenzhen Xintonglu**")(6)	230,473	129,091,938	1.12
Moutai (Guizhou) Investment Fund Partnership (Limited Partnership) (茅台(貴州)投資基金合夥企業(有限合夥)) ("**Moutai Fund**")(7)	89,267	50,000,000	0.43
Total	**3,315,892**	**1,856,976,358**	**16.10**

Notes:

(1) Such investors are Independent Third Parties.

(2) In May 2021, Mr. Wei Kun transferred the registered capital of our Company of RMB149,999 and RMB195,711 to Oakwise Consumer Trends Investment Limited (瑞橡新消費投資有限公司) ("**Oakwise**"), with Mr. Wang Fengyu (王風雨) (an Independent Third Party) as its ultimate beneficial owner, and Chengdu Quanyi at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer.

(3) Chongqing Langyao is managed by CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司), an indirect wholly-owned subsidiary of China Merchants Bank Co., Ltd. which is a company listed on Shanghai Stock Exchange (stock code: 600036) and the Stock Exchange (stock code:03968).

(4) The ultimate beneficial owner of Titanium is TPG Inc., a company listed on NASDAQ (Nasdaq: TPG).

(5) The ultimate beneficial owner of Tiantu Fund is Mr. Wang Yonghua (王永華), an Independent Third Party.

(6) The ultimate beneficial owner of Shenzhen Tongfu and Shenzhen Xintonglu is Mr. Zhang Wenzhong (張文中), an Independent Third Party. The Pre-IPO Investments from Shenzhen Tongfu and Shenzhen Xintonglu are irrevocable.

(7) The ultimate beneficial owners of Moutai Fund are State-owned Assets Supervision and Administration Commission of Guizhou Province (貴州省人民政府國有資產監督管理委員會) and China Construction Bank Corporation, a company listed on Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 00939).

In March 2021, Guoxiaoquan EM subscribed the registered capital of our Company of RMB823,118 at the consideration of RMB823,118.

Upon completion of the Series C-1 Financing and capital increase from Guoxiaoquan EM, our shareholding structure was as follows:

Shareholders	**Registered capital**	**Percentage of shareholding**
	(RMB)	**(%)**
Mr. Yang	3,853,519	18.71
Mr. Meng	2,569,013	12.47
Mr. Li	713,615	3.46
Guoxiaoquan EM	2,607,155	12.66
Guoxiaoquan Tech	672,926	3.27
Buyue Ertong	888,889	4.31
Buqi Zhiqi	201,005	0.98
Chengdu Quanyi	1,385,068	6.72
Famous Wealthy	1,795,619	8.72
Generation One	1,090,895	5.30
Suzhou Yizhong	325,257	1.58
Generation Pi HK	779,160	3.78
Buhuovc Platinum	430,744	2.09
Lighthouse	165,981	0.81
Chongqing Langyao	1,515,361	7.36
Mr. Wang Hongbo	97,951	0.48
Titanium	463,298	2.25
Tiantu Fund	345,710	1.68
Oakwise	149,999	0.73
Shenzhen Tongfu	230,473	1.12
Shenzhen Xintonglu	230,473	1.12
Moutai Fund	89,267	0.43
Total	**20,601,378**	**100.00**

(7) Equity transfer in December 2021

In December 2021, as part of the reorganization, Mr. Yang, Mr. Meng and Mr. Li transferred all the registered capital of the Company of RMB3,853,519, RMB2,569,013 and RMB507,602 (representing 18.71%, 12.47% and 2.46% of the shareholding of the Company, respectively), respectively to Guoquan Industry (Shanghai) Co., Ltd. (鍋圈實業(上海)有限公司) ("**Guoquan Industry**"). Guoquan Industry has been owned to 55.61%, 37.07% and 7.32% by Mr. Yang, Mr. Meng and Mr. Li, respectively since its establishment.

Upon completion of such transfer, our shareholding structure was as follows:

Shareholders	Registered capital	Percentage of shareholding
	(RMB)	(%)
Guoquan Industry	6,930,134	33.64
Guoxiaoquan EM	2,607,155	12.66
Guoxiaoquan Tech	672,926	3.27
Buyue Ertong	888,889	4.31
Buqi Zhiqi	201,005	0.98
Chengdu Quanyi	1,385,068	6.72
Famous Wealthy	1,795,619	8.72
Generation One	1,090,895	5.30
Suzhou Yizhong	325,257	1.58
Generation Pi HK	779,160	3.78
Buhuovc Platinum	430,744	2.09
Lighthouse	165,981	0.81
Chongqing Langyao	1,515,361	7.36
Mr. Wang Hongbo	97,951	0.48
Titanium	463,298	2.25
Tiantu Fund	345,710	1.68
Oakwise	149,999	0.73
Shenzhen Tongfu	230,473	1.12
Shenzhen Xintonglu	230,473	1.12
Moutai Fund	89,267	0.43
Top New	206,013	1.00
Total	**20,601,378**	**100.00**

(8) Series C-2 Financing via Luyi Chengming Acquisition

In November 2022, as part of our Company's development strategy to continue its layout in upstream industry chain, in order to control the production and supply of our major products, as well as to increase our gross profit by developing upstream plant, we entered into an acquisition agreement with the then shareholders of Luyi Chengming, pursuant to which we agreed to acquire the registered capital of RMB41,554,112 of Luyi Chengming from its then shareholders at a total consideration of RMB261,790,903 ("**Luyi Chengming Acquisition**"), which was settled by the issue of the registered capital of RMB391,382 of our Company to such shareholders. The consideration was determined after arm's length negotiations between our Company and the shareholders of Luyi Chengming, with reference to the asset valuation report of our Company and Luyi Chengming as of August 31, 2022. The shareholders of Luyi Chengming became our registered Shareholders on November 28, 2022. Upon completion of such equity transfer, we controlled 77.30% equity interest in Luyi Chengming. The following table sets forth the details of registered capital issued to the shareholders of Luyi Chengming pursuant to the equity transfer agreement:

Name of Shareholders of Luyi Chengming	**Registered capital subscribed for**	**Percentage of shareholding subscribed immediately after this round financing**
	(RMB)	**(%)**
Ms. Yang Tongyu (楊童雨)[(1)]	268,417	1.28
Suzhou Yizhong[(2)]	52,326	0.25
Generation Pi HK[(2)]	26,163	0.12
Wuhan Renzhe Buyou Equity Investment Partnership (Limited Partnership) (武漢仁者不憂股權投資合夥企業(有限合夥)) ("**Renzhe Buyou**")[(2)]	31,395	0.15
China Merchants Bank Growth No. 3 Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長叁號投資(深圳)合夥企業(有限合夥)) ("**CMB Growth**")[(3)]	11,773	0.06
Zhuhai Growth and Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金(有限合夥)) ("**Zhuhai Gongying**")[(4)]	1,308	0.01
Total	**391,382**	**1.87**

Notes:

(1) Ms. Yang Tongyu is the daughter of Mr. Yang.

(2) The ultimate beneficial owner of Renzhe Buyou is Mr. Li Zhujie, an Independent Third Party.

(3) The ultimate beneficial owner of CMB Growth is China Merchants Bank Co., Ltd., a company listed on Shanghai Stock Exchange (stock code: 600036) and the Stock Exchange (stock code:03968).

(4) Zhuhai Gongying is managed by Shenzhen Hongshu Growth Investment Management Co., Ltd. (深圳紅樹成長投資管理有限公司), which in turn is held as to 60% by Mr. Zeng Xinghai (曾興海), a non-executive Director of the Company, and as to 30% by Mr. Wang Hongbo (王紅波).

In November 2022, Ms. Yang Tongyu transferred the entire equity interest in the Company to Chunyu Feifei (Shanghai) Industrial Co., Ltd. (春雨霏霏(上海)實業有限公司) ("**Chunyu Feifei**"), a company which is wholly owned by Ms. Yang Tongyu.

Upon completion of Series C-2 Financing via Luyi Chengming Acquisition, our shareholding structure was as follows:

Shareholders	**Registered capital**	**Percentage of shareholding**
	(RMB)	**(%)**
Guoquan Industry	6,930,134	33.01
Guoxiaoquan EM	2,607,155	12.42
Guoxiaoquan Tech	672,926	3.21
Buyue Ertong	888,889	4.23
Buqi Zhiqi	201,005	0.96
Chengdu Quanyi	1,385,068	6.60
Famous Wealthy	1,795,619	8.55
Generation One	1,090,895	5.20
Suzhou Yizhong	377,583	1.80
Generation Pi HK	805,323	3.84
Buhuovc Platinum	430,744	2.05
Lighthouse	165,981	0.79
Chongqing Langyao	1,515,361	7.22
Mr. Wang Hongbo	97,951	0.47
Titanium	463,298	2.21
Tiantu Fund	345,710	1.65
Oakwise	149,999	0.71
Shenzhen Tongfu	230,473	1.10
Shenzhen Xintonglu	230,473	1.10
Moutai Fund	89,267	0.43
Top New	206,013	0.98
Chunyu Feifei	268,417	1.28
Renzhe Buyou	31,395	0.15
CMB Growth	11,773	0.06
Zhuhai Gongying	1,308	0.01
Total	**20,992,760**	**100.00**

(9) Conversion into a Joint Stock Limited Company in February 2023

On February 5, 2023, our Shareholders' resolutions approved, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company and the change of name of our Company from Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈(上海)有限公司) to Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司). Pursuant to the promoters' agreement dated February 20, 2023 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of November 30, 2022 into 2,670,000,000 Shares of our Company with a nominal value of RMB1.00 each, with the remaining RMB8,174,351.71 recorded as capital reserves of our Company.

On February 20, 2023 our Company convened the inaugural meeting, and passed related resolutions approving the conversion of our Company into a joint stock limited company, the articles of association of the Company and the relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB2,670,000,000 divided into

2,670,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective interests in our Company before the conversion. The conversion was completed on February 23, 2023 when our Company obtained a new business license.

THE CONCERT PARTY GROUP

On July 16, 2019, Mr. Yang, Mr. Meng and Mr. Li entered into a concert party agreement, which was supplemented on March 1, 2023, pursuant to which Mr. Meng and Mr. Li have agreed and confirmed that during the period starting from July 16, 2019 to the date when they cease to be our direct or indirect Shareholder, they have acted and will continue to act in concert in respect of the management and operations of our Company by aligning their votes in accordance with Mr. Yang's decisions when exercising their rights as Shareholders of the Company prior to December 2021 and as shareholders of Guoquan Industry since December 2021 when their direct interests in the Company were reflected at the level of Guoquan Industry.

PRE-IPO INVESTMENTS

Overview

Our Company concluded several rounds of financing with the Pre-IPO Investors. For further details, see the subsection headed "Establishment and Development of Our Company" in this section. We became acquainted with i) Buyue Ertong, Buqi Zhiqi, Buhuovc Platinum, Generation One and Suzhou Yizhong through introduction by Mr. Yang, our executive Director and one of the Controlling Shareholders, who became acquainted with senior managements of such Pre-IPO Investors at startups acceleration programs; ii) IDG, Chongqing Langyao, Wang Hongbo, Generation Pi HK, Titanium, Tiantu Fund, Top New, Lighthouse, Oakwise and Moutai Fund through introduction by other Pre-IPO Investors; iii) Renzhe Buyou, CMB Growth and Zhuhai Gongying through Luyi Chengming Acquisition; and iv) Chengdu Quanyi, WM Tech and Dmall Inc. through our business network. In view of their understanding of our development and the prospects of our business, the Pre-IPO Investors invested in our Company.

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Series Pre-A	Series A	Series B	Series C-1	Series C-2
Amount of registered capital subscribed for/acquired *(RMB)*	1,893,578	2,743,003	1,825,787	3,315,892	391,382
Amount of consideration paid *(RMB)*	70,000,000	253,000,231	388,174,988	1,856,976,358	261,790,903

Basis of determining the consideration paid

Series Pre-A, Series A, Series B and Series C-1

The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between the Company and the Pre-IPO Investors after taking into consideration various factors including but not limited to, the historical operating performance, the market share, the timing of the investments, the market value, and the prospects of our business. The growth in the valuation of our Company has been in line with the growth in our total revenue. The increased implied valuation for our Series C-1 Financing as compared to Series B financing reflects the substantial business growth we achieved during this period, including without limitation, the number of retail stores expanding to over 5,000.

Series C-2 Financing

The consideration was settled by Series C-2 Financing Investors transferring 74.80% equity interest of Luyi Chengming, the appraised value of which was RMB261.8 million, to our Company. The consideration was determined after arm's length negotiations between our Company and Series C-2 Financing Investors with reference to business prospects and appraised value of Luyi Chengming, the business of our Company, the timing of the investment and the prospects of our business.

Other factors were taken into account in the determination of the consideration including but not limited to: (i) the investment risk assumed by the Pre-IPO Investors in investing in an unlisted company, including, among others, the lack of liquidity and open market for trading in our Shares prior to the completion of the Global Offering and the Listing; (ii) the strategic or financial benefits which would be brought by the Pre-IPO Investors to our Group; and (iii) the twelve-month lock-up restriction undertaken by the Pre-IPO Investors commencing on the Listing Date.

	Series Pre-A	Series A	Series B	Series C-1	Series C-2
Date of agreements	October 2019	March 2020	July 2020	March 2021 August 2021	November 2022
Date of payment in full	April 17, 2020	August 20, 2020	December 3, 2020	August 30, 2021	November 24, 2022
Consideration Cost per Share *(RMB)*	0.29	0.73	1.67	4.40	5.26
Discount to the Offer Price (approximation)[(1)]	94.71%	86.79%	69.55%	19.80%	4.21%
Lock-up Period	Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all current Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them.				
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, approximately 78% of the net proceeds from the Pre-IPO Investments had been utilized.				
Strategic benefits to our Company brought by the Pre-IPO Investors	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company and the Pre-IPO Investors' knowledge and experience. Our Pre-IPO Investors include experienced investors who can share their experience on brand building and market expansion as well as their insight on business strategies and operations, their professional advice on our Group's corporate governance and internal control, some of which are especially experienced in information technology, food production and consumer industry. Moreover, our Directors were also of the view that our Company could benefit from the Pre-IPO Investments as the Pre-IPO Investors' investments demonstrated their confidence in our operations and served as an endorsement of our performance, strengths and prospects.				

Note:

(1) Calculated based on the Offer Price of HK$5.98 per Share.

Rights of the Pre-IPO Investors

In connection with the pre-IPO investments, certain Pre-IPO Investors had been granted certain special rights against our Company, including, among others, (i) pre-emptive right, (ii) information rights and (iii) most favorable treatment, and certain special rights against Mr. Yang, Mr. Meng and Mr. Li, including, among others, (i) redemption rights, (ii) anti-dilution rights, (iii) right of first refusal and co-sale, and (iv) liquidation preferences. Pursuant to a termination agreement entered into between our Company, our Controlling Shareholders and the Pre-IPO Investors dated January 18, 2023, the redemption rights and liquidation preferences against our Controlling Shareholders were automatically terminated prior to our Company's submission of listing application to the Stock Exchange for its listing of H Shares on the Stock Exchange, provided that the rights so terminated shall resume automatically in certain circumstances, including: (i) the listing application has been withdrawn or rejected; or (ii) the initial public offering does not take place within 24 months from such termination. In addition, the Pre-IPO investors are entitled to subscribe for Shares at Offer Price in the Global Offering in order to maintain their shareholding ratio immediately before completion of the Global Offering. Certain other special rights, such as co-sale rights and veto rights, shall cease to be effective and be discontinued upon Listing.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange; and (ii) the special rights granted to the Pre-IPO Investors shall cease to be effective and be discontinued upon the Listing (save for the redemption rights and liquidation preferences against our Controlling Shareholders as described above), the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on 13 October 2010 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

Information about Our Major Pre-IPO Investors

Set out below is a description of our major Pre-IPO Investors, most of them being private equity funds and strategic investment corporations, which have made meaningful investments in our Company. Each of the following Pre-IPO Investors is an Independent Third Party.

Buhuo

Each of Buyue Ertong, Buqi Zhiqi and Renzhe Buyou is a limited partnership established in the PRC and is managed by Shanghai Buhuo Private Equity Fund Management Co., Ltd. (上海不惑私募基金管理有限公司) ("**Buhuo Ventures**"). Buhuo Ventures was founded in 2016 and is a professional investment manager with a long-term investment policy focusing on early-stage and growth-stage investments centered on the innovative supply chains, including supply chain consumption, supply chain industry, supply chain overseas market, and technology replacing human labor. Buhuovc Platinum is a company incorporated under the laws of Hong Kong and is ultimately controlled by Mr. Li Zhujie (李祝捷).

IDG

Famous Wealthy is an investment holding company incorporated under the laws of Hong Kong and is owned as to 94.61% by IDG China Venture Capital Fund V L.P. and 5.39% by IDG China V Investors L.P.. IDG China Venture Capital Fund V L.P. and IDG China V Investors

L.P., both Cayman exempted limited partnership, are venture capital funds with a primary purpose of making equity investments, mainly in seed and growth stage companies in China, focusing on companies in the information technology, media, healthcare, energy, clean technology and non-technology consumer businesses and services related industries, including, but not limited to, companies engaged in software, internet, telecom, media and managed healthcare business.

CMBI

Each of Chongqing Langyao and CMB Growth ("**CMBI**") is a limited partnership established in the PRC and is primarily engaged in equity investment and investment management businesses. Each of Chongqing Langyao and CMB Growth is managed by CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司) ("**CMB Shenzhen**") as its general partner. CMB Shenzhen is a wholly owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司) which is in turn wholly-owned by CMB International Capital Corporation Limited (招銀國際金融有限公司). In addition to the investments in our Company, CMBI and its affiliates invested in healthcare companies including but without limitation to Biocytogen Pharmaceuticals (Beijing) Co., Ltd. (百奧賽圖(北京)醫藥科技股份有限公司) (SEHK: 2315) and AIM Vaccine Co., Ltd (SEHK: 6660). To the best knowledge of our Directors, except for the fact that Zhuhai Gongying is one of the limited partners of Chongqing Langyao, Mr. Wang Hongbo (王紅波) is one of the limited partners of Zhuhai Gongying, and that both Chongqing Langyao and CMB Growth are managed by CMB Shenzhen, there is no past or present relationships among CMBI, its existing shareholders, its existing directors and other Pre-IPO Investors.

Zhuhai Gongying

Zhuhai Gongying is a limited partnership established in the PRC and is mainly engaged in equity investment. Zhuhai Gongying is managed by Shenzhen Hongshu Growth Investment Management Co., Ltd. (深圳紅樹成長投資管理有限公司) as its general partner, which in turn is owned as to 60% by Mr. Zeng Xinghai (曾興海) and 30% by Mr. Wang Hongbo (王紅波). Mr. Wang Hongbo is one of the limited partners of Zhuhai Gongying, which in turn is one of the limited partners of Chongqing Langyao.

Wang Hongbo (王紅波)

Mr. Wang Hongbo was the chief investment officer of CMB International Capital Corporation Limited (招銀國際金融有限公司) and is one of the limited partners of Zhuhai Gongying, one of our Pre-IPO investors.

Generation One

Generation One is an investment holding company incorporated under the laws of BVI and is owned as to 95.45% by Vision Knight Capital (China) Fund II, L.P. and 4.55% by Vision Knight Capital (China) Entrepreneur Fund II, L.P.. The general partner of both Vision Knight Capital (China) Fund II, L.P. and Vision Knight Capital (China) Entrepreneur Fund II, L.P. is Vision Knight Capital (China) GP II, L.P., which is in turn ultimately controlled by Mr. Wei Zhe (衛哲), an Independent Third Party.

Suzhou Yizhong

Suzhou Yizhong is a limited partnership established in the PRC and is principally engaged in equity investment. Suzhou Yizhong is owned as to 0.55% by Suzhou Hongwei Xinli Investment Management Co., Ltd. (蘇州宏維新力投資管理有限公司) ("**Suzhou Hongwei**") as its general partner, and 99.45% by Independent Third Parties. Suzhou Yizhong is managed by Suzhou Weitelixin Venture Capital Management Co., Ltd. (蘇州維特力新創業投資管理有限公司), which is ultimately controlled by Mr. Wei Zhe, an Independent Third Party.

Chengdu Quanyi

Chengdu Quanyi is a limited liability company established in the PRC and is principally engaged in food production and sales, which is owned as to 98% by Sanquan Food Co., Ltd. (三全食品股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002216), and 2% by Gongqingcheng Runhenghongzhan Investment Management Partnership (Limited Partnership) (共青城潤恒鴻展投資管理合夥企業(有限合夥)). Gongqingcheng Runhenghongzhan Investment Management Partnership (Limited Partnership) is controlled by Zhengzhou Quanxing Information Technology Co., Ltd. (鄭州全興信息技術有限公司), a wholly-owned subsidiary of Sanquan Food Co., Ltd..

Generation Pi HK

Generation Pi HK is a limited liability company incorporated in Hong Kong and is primarily engaged in equity investments. Generation Pi HK is ultimately controlled by GenBridge Capital Fund I, L.P., which is a private equity investment fund managed by GenBridge Capital (啓承資本). GenBridge Capital (啓承資本) was founded in 2016 and is a professional investment manager dedicating to investing in Chinese consumer sectors with a focus on the new generation of brands, retail and services.

Titanium

Titanium is a company incorporated under the laws of Hong Kong and is ultimately controlled by TPG Inc., a company listed on NASDAQ (Nasdaq: TPG).

WM Tech

Shenzhen Tongfu is a limited liability company established in the PRC and is wholly owned by WM Sourcing (HK) Limited, which in turn is indirectly wholly owned by WM Tech Corporation Limited (物美科技有限公司) ("**WM Tech**"), WM Tech is controlled by Dr. Zhang Wenzhong (張文中) and is a fully digitalized multi-channel fresh food and FMCG retailer conducted primarily under two highly-acclaimed brands, Wumart (物美) and Maidelong (formerly known as Metro China, 麥德龍中國).

Dmall Inc.

Shenzhen Xintonglu is a limited liability company established in the PRC and is wholly owned by Dmall (Shenzhen) Digital Technology Co., Ltd. (多點(深圳)數字科技有限公司), which in turn is indirectly wholly owned by Dmall Inc.. Dmall Inc. is controlled by Dr. Zhang Wenzhong (張文中) and is one of the largest retail cloud solution digital retail providers in China and Asia by gross merchandise value ("**GMV**"), according to Frost & Sullivan. We have invested in Dmall Inc., which provided us with consulting and co-development services for digital systems.

Tiantu Fund

Tiantu Fund is an investment holding company incorporated under the laws of Hong Kong, primarily engaged in equity investments in the consumer goods sector. Tiantu Fund is wholly owned by Tiantu China Consumer Fund II, L.P, which in turn is owned as to 50% by Tiantu GP Limited Company ("**Tiantu GP**") as its sole general manager and 50% by three Independent Third Parties. Tiantu GP is indirectly wholly owned by TIAN TU CAPITAL CO., LTD. (深圳市天圖投資管理股份有限公司), a company listed on the Stock Exchange (stock code: 01973), an Independent Third Party.

Chunyu Feifei

Chunyu Feifei is wholly owned by Ms. Yang Tongyu, the daughter of Mr. Yang.

Top New

Top New is an investment holding company incorporated under the laws of Hong Kong. It is ultimately controlled by Mr. Jiang Nanchun, who is an Independent Third Party and the founder and chairman of Focus Media Information Technology Co., Ltd. (分眾傳媒信息技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002027.SZ).

Lighthouse

Lighthouse is an investment holding company incorporated under the laws of Hong Kong, whose ultimate beneficial owner is Mr. Xuanle Zheng (鄭烜樂).

Oakwise

Oakwise is an investment holding company incorporated under the laws of Hong Kong, primarily engaged in equity investments. Oakwise is wholly owned by Oakwise Innovation Fund SPC — New Technology III SP, which in turn is managed by Oakwise Asset Management Limited. Oakwise Asset Management Limited is ultimate beneficially owned as to 90.1% by Mr. Wang Fengyu (王風雨) (a professional investor) and 9.9%, by COSCO SHIPPING Investment Holdings Co., Limited, a company incorporated in the Hong Kong, each an Independent Third Party.

Moutai Fund

Moutai Fund is a limited partnership established in the PRC and is mainly engaged in equity investment. Moutai Fund is owned as to i) 39.67% by China Kweichow Moutai Distillery (Group) Co., Ltd. (中國貴州茅台酒廠(集團)有限責任公司) as its general partner, a company controlled by State-owned Assets Supervision and Administration Commission of Guizhou Province (貴州省人民政府國有資產監督管理委員會) ("**Guizhou SASAC**"); ii) 38.11% by CCB Investment Funds Management Co., Ltd. (建信(北京)投資基金管理有限責任公司) as its limited partner, a company controlled by China Construction Bank Corporation whose shares are listed on the Stock Exchange (stock code: 0939.HK); and iii) 22.22% by Moutai (Guizhou) Investment Management Co., Ltd. (茅台(貴州)私募基金管理有限公司), a company controlled by Guizhou SASAC.

Our Company currently engages in or historically engaged in business dealings with certain Pre-IPO Investors, and/or their respective associates, which are/were carried out in our ordinary course of business, on an arm's length basis and with normal commercial terms. Apart from the foregoing, to the best knowledge of the Company, there exists no past or present relationships (business, employment, trust, family, financing or otherwise) between each of the Pre-IPO investors and/or their respective associates, on the one hand, and the Company and its subsidiaries, their shareholders, directors, supervisors or senior management, or any of their respective associates, on the other hand, during the Track Record Period.

POST-TRACK RECORD PERIOD ACQUISITION

Proposed J&T Global Acquisition

We are currently considering a subscription of certain shares in J&T Global Express Limited (極兔速遞環球有限公司) ("**J&T Global**") (a company incorporated in the Cayman Islands which is seeking listing on the Stock Exchange), an Independent Third Party, as a placee in the global offering of J&T Global at its offer price, with the total consideration not exceeding US$17 million (the "**Proposed J&T Global Acquisition**"). The consideration of the Proposed J&T Global Acquisition will be paid by our internal funds. For the avoidance of doubt, the Proposed J&T Global Acquisition will not be financed by our Company's proceeds from the Global Offering. The Proposed J&T Global Acquisition is in line with our investment policy to make equity investments in companies that are synergistic to our overseas expansion plans, having considered the core competitiveness, strategic value and growth potential of J&T Global as a global logistics service provider.

J&T Global is a global logistics service provider with the leading express delivery business in Southeast Asia, a competitive position in China and an expanding footprint in Latin America and the Middle East. According to the public available information, the total assets of J&T Global amounted to approximately USD5,935.6 million as of December 31, 2022, and the revenue and gross loss of J&T Global amounted to approximately USD7,267.4 million and USD270.2 million for the year ended December 31, 2022, respectively. According to Frost & Sullivan, J&T Global is the number one express delivery operator in Southeast Asia, with a 22.5% market share in 2022, in terms of parcel volume. J&T Global was also the first Asian express delivery operator of scale to have expanded into Saudi Arabia, Mexico, Brazil, Egypt and UAE, supporting its e-commerce partners as they expanded into these new markets.

J&T Global will be an important potential business partner of our Company. Our Company's potential investment in J&T Global as a place adheres to the business strategy of our Company, including (i) opening new stores overseas where Chinese population is concentrated such as Southeast Asia as disclosed in the section headed "Business — Our Strategies" and J&T Global could provide logistic services in seven Southeast Asia countries that it operates; and (ii) strengthening our online platform logistics and supply chain by cooperating with J&T Global. To the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, J&T Global and their ultimate beneficial owners are Independent Third Parties of our Company and its connected persons.

PUBLIC FLOAT

To the best knowledge, information and belief of our Directors, none of the Pre-IPO Investors is a core connected person (as defined under the Listing Rules) of our Company. The 1,303,515,377 H Shares to be held by 21 Pre-IPO Investors which have filed for conversion of their Domestic Unlisted Shares to H Shares, representing approximately 48.82% of our total issued share capital as of the Latest Practicable Date, or approximately 47.59% of our total issued Shares upon Listing (assuming the Over-allotment Option is not exercised) will be counted towards the public float upon Listing. Taking into consideration of the H Shares to be issued pursuant to the Global Offering, the public float of the Company will be 50.11% upon Listing (assuming the Over-allotment Option is not exercised).

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with the relevant governmental authorities in the PRC with respect to the foresaid acquisition.

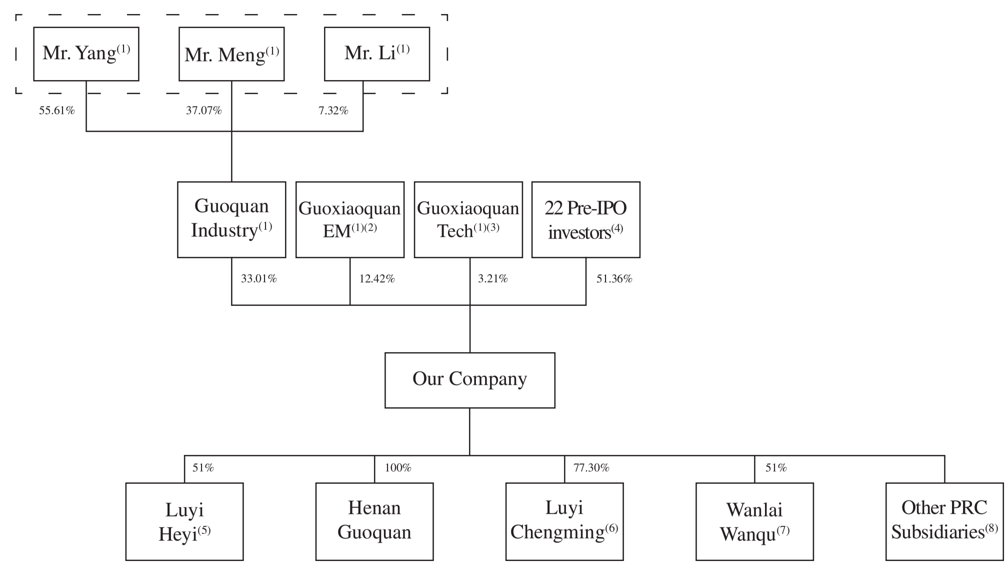
CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the date of this prospectus and the Listing Date (assuming the Over-allotment Option is not exercised):

Shareholders	Number of Shares	Ownership percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
		(%)	*(%)*
Guoquan Industry	881,420,916	33.01	32.18
Guoxiaoquan EM	331,595,457	12.42	12.11
Famous Wealthy	228,378,866	8.55	8.34
Chongqing Langyao	192,733,774	7.22	7.04
Chengdu Quanyi	176,162,237	6.60	6.43
Generation One	138,747,342	5.20	5.07
Buyue Ertong	113,054,864	4.23	4.13
Generation Pi HK	102,426,380	3.84	3.74
Guoxiaoquan Tech	85,587,242	3.21	3.12
Titanium	58,925,347	2.21	2.15
Buhuovc Platinum	54,784,911	2.05	2.00
Suzhou Yizhong	48,023,538	1.80	1.75
Tiantu Fund	43,969,716	1.65	1.61
Chunyu Feifei	34,139,074	1.28	1.25
Shenzhen Xintonglu	29,313,102	1.10	1.07
Shenzhen Tongfu	29,313,102	1.10	1.07
Top New	26,202,115	0.98	0.96
Buqi Zhiqi	25,565,164	0.96	0.93
Lighthouse	21,110,577	0.79	0.77
Oakwise	19,077,879	0.71	0.70
Mr. Wang Hongbo	12,458,065	0.47	0.45
Moutai Fund	11,353,576	0.43	0.41
Renzhe Buyou	3,993,027	0.15	0.15
CMB Growth	1,497,369	0.06	0.05
Zhuhai Gongying	166,360	0.01	0.01
Investors taking part in the Global Offering	68,802,800	0.00	2.51
Total	**2,738,802,800**	**100.00**	**100.00**

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately before completion of the Global Offering:



Notes:

(1) Mr. Yang, Mr. Meng, Mr. Li, Guoquan Industry, Guoxiaoquan EM and Guoxiaoquan Tech are a group of the Controlling Shareholders. See "Relationship with Our Controlling Shareholders" for further details.

(2) As of the Latest Practicable Date, Guoxiaoquan EM was owned as to i) 80% by Mr. Yang as its general partner and ii) 20% by Mr. An as its limited partner, each an executive Director of our Company. Guoxiaoquan EM was set to award Mr. Yang and Mr. An's performance contribution to our Group. All the award Shares have been vested and there are no further conditions.

(3) As of the Latest Practicable Date, Guoxiaoquan Tech was owned as to i) 44.09% by Mr. Yang as its general partner; ii) 0.6% by Mr. Li as its limited partner and iii) 40.00% by Ms. Zhang Weiwei (張微微), 8.53% by Mr. Liu Bo (劉博) and 6.78% by Anji Xinze Enterprise Management Partnership (Limited Partnership) (安吉欣澤企業管理合夥企業(有限合夥)), each an Independent Third Party, as its limited partners rewarding their previous consulting service contribution to the Company. Anji Xinze Enterprise Management Partnership (Limited Partnership) was owned as to 3.23% by Shaanxi Taifaxiang Investment Management Co. Ltd. (陝西泰發祥投資管理有限公司) as its general partner and 96.77% by Mr. Zhao Xin (趙欣), an Independent Third Party, as its limited partner. Shaanxi Taifaxiang Investment Management Co. Ltd. was wholly owned by Shaanxi Taifaxiang Industrial Group Co., Ltd. (陝西泰發祥實業集團有限公司), which in turn was owned as to 66% by Mr. Zhao Shuanming (趙栓明) and 34% by Ms. Liu Tuoxiu (劉拖秀), each an Independent Third Party.

(4) See "— Capitalization of our Company" above for details of other Shareholders.

(5) As of the Latest Practicable Date, the remaining interest of Luyi Heyi was owned by Shanghai Niuxian Roupin Partnership (Limited Partnership) (上海牛鮮肉品合夥企業(有限合夥)), which in turn is owned as to (i) 35% by Mr. Yang Ran (楊冉), the supervisor of Luyi Heyi; (ii) 30% by Mr. Liu Yawei (劉亞威), the general manager of Luyi Heyi; and (iii) 35% by Mr. Liu Guodong (劉國棟), the director of Luyi Heyi.

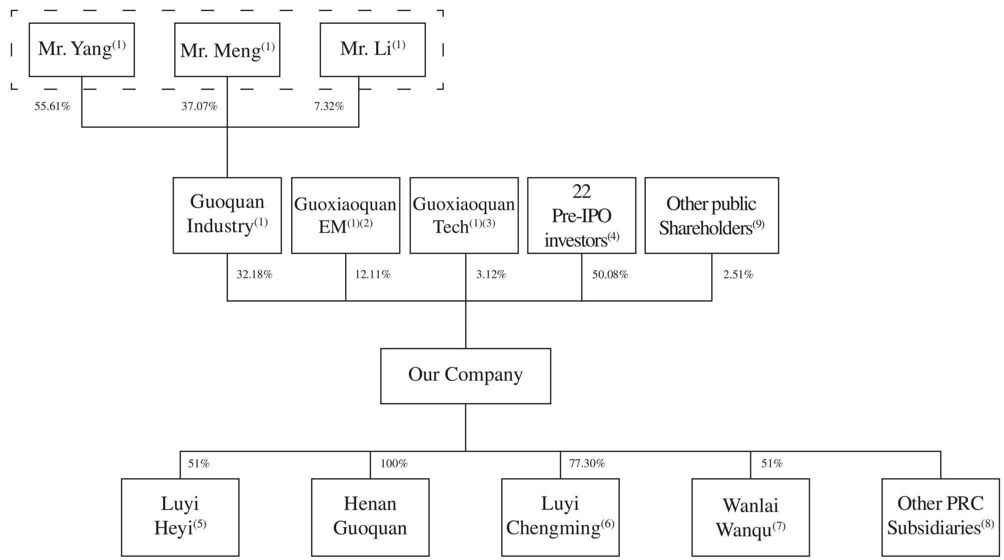
(6) As of the Latest Practicable Date, the remaining interest of Luyi Chengming was owned as to 11.70% by Henan Chengming Management Service Center (Limited Partnership)(河南澄明管理服務中心(有限合夥)) and 11.00% by Henan Yixiang Management Service Center (Limited Partnership)(河南溢香管理服務中心(有限合夥)), both Independent Third Parties. Henan Chengming Management Service Center (Limited Partnership) was owned as to 76.93% by Mr. Wei Deli (危得利) as its general partner and 23.07% by Ms. Shi Yunxia (史雲霞) as its limited partner. Mr. Wei Deli is an Independent Third Party and Ms. Shi Yunxia is a supervisor of Luyi Chengming. Henan Yixiang Management Service Center (Limited Partnership) was owned as to 90% by Mr. Zhao Yueping (趙躍平) as its general partner and 10% by Ms. Fu Ruizhen (付瑞珍) as its limited partner, both Independent Third Parties. Luyi Chengming is an insignificant subsidiary pursuant to Rule 14A.09.

(7) As of the Latest Practicable Date, the remaining interest of Wanlai Wanqu was owned by Hainan Jiumu Enterprise Management Center (Limited Partnership)(海南久木企業管理中心(有限合夥)). Hainan Jiumu Enterprise Management Center (Limited Partnership) was owned as to 18.37% by Ms. Shi Yunxia (史雲霞) as its general partner, 38.78% by Mr. Liu Chuanshen (劉傳申), 19.39% by Mr. Liu Chuanjie (劉傳傑), 19.39% by Mr. Wei Guohua (魏國華) and 4.08% by Mr. Zheng Guibin (鄭桂彬) as its limited partners. Each of Mr. Liu Chuanshen, Mr. Liu Chuanjie and Mr. Zheng Guibin is Mr. Yang's brother-in-law. Mr. Wei Guohua is an Independent Third Party and Ms. Shi Yunxia is a director and general manager of Wanlai Wanqu. Wanlai Wanqu is an insignificant subsidiary pursuant to Rule 14A.09.

(8) Our subsidiaries are set out in Note 1 of the Accountants' Report in Appendix I to this prospectus.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1)-(8) See the respective notes under "Corporate Structure Immediately Before Completion of The Global Offering."

(9) The Shares held by these other public Shareholders are H Shares, which will be counted towards the public float together with 1,303,515,377 H Shares to be converted from Domestic Unlisted Shares. See "Share Capital" for further details of the conversion of Domestic Unlisted Shares into H Shares.

OUR VISION

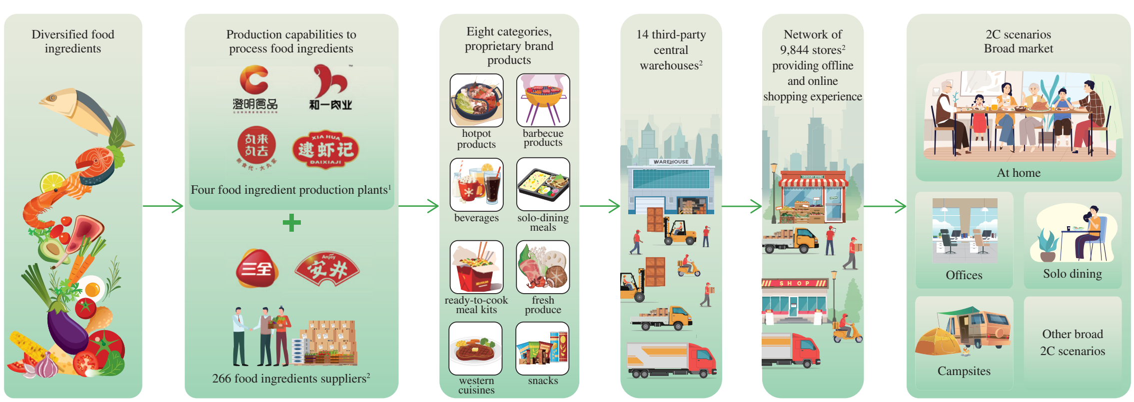
Our vision is to be the go-to brand for dining at home in China.

OUR MISSION

Our mission is to source quality food ingredients globally and offer diverse, convenient, high-quality and value-for-money home meal products in a one-stop shop manner to meet consumers' diverse needs under different dining scenarios, from urban centers to the most remote areas of China.

OVERVIEW

We are the leading and a rapidly growing home meal products brand in China. We offer a variety of ready-to-eat, ready-to-heat, ready-to-cook and prepared ingredients, with a focus on at-home hotpot and barbecue products. With a carefully curated product portfolio and an extensive network of community-based stores, we enable consumers to enjoy meals at home with convenience, affordability and tastiness. Leveraging our robust supply chain and production capabilities, we offer a wide variety of home meal products under the Guoquan Shihui (鍋圈食匯) brand through a nationwide network of 9,844 retail stores in China as of April 30, 2023, serving diverse dining scenarios. Our business model is illustrated by the following diagram:



Notes:

1. As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for the production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products

2. As of April 30, 2023

We are the leading one-stop home meal products brand in China, ranking first among all retailers in China in 2022 in terms of retail sales value of home meal products, with a market share of 3.0% in China, according to Frost & Sullivan. As the fastest growing segment of China's home dining market, home meal products market had a size of RMB367.3 billion in 2022, accounting for 6.5% of China's home dining market in 2022. The home meal products market in China is highly fragmented, with both domestic and international players competing for market share, making it challenging for market players to differentiate products and establish unique value propositions. We strategically entered China's home meal products market specializing in at-home hotpot and barbecue products, and were the largest at-home hotpot and barbecue product provider in China in 2022 in terms of retail sales value, according to Frost & Sullivan.

We established the largest retail store network offering home meal products in a one-stop shop manner in China as of December 31, 2022 in terms of number of retail stores, according to Frost & Sullivan. Leveraging such store network, we offer both online and offline shopping experience and amassed over 100 million orders in 2022 alone. Our network of retail stores across China further increased from 9,221 as of December 31, 2022 to 9,844 as of April 30, 2023. We are also devoted to developing products under our proprietary brand name carrying the Guoquan Shihui logo. Our products are known for being tasty, convenient, affordable and of consistent quality.

The dining tables of Chinese people are traditionally an important place for families to dine and for people to have close exchanges with one another. At present, people principally dine in four ways, namely (i) buying groceries to cook at home, (ii) dining at restaurants, (iii) having food delivered from restaurants, and (iv) enjoying home meal products. China's dining market grew at a CAGR of 7.8% since 2018, reaching a market size of RMB9,315.1 billion in 2022. With the development of China's economy as well as changes in people's lifestyles and consumption patterns, although the first three dining options remain to be the predominant dining options among Chinese people, home meal products are gaining traction as an emerging option, growing at a CAGR of 25.5% from 2018 to RMB367.3 billion in 2022.

Home meal products are the fourth dining option in addition to buying groceries to cook at home, dining at restaurants and food delivery from restaurants. Cooking at home requires consumer to purchase groceries and prepare ingredients and seasoning before cooking. Consumers with busy urban lifestyle may not have sufficient time to do so. Home meal products help improve time efficiency by providing preprocessed ingredients and seasoning, reducing the time needed to prepare for cooking at home. As for restaurant delivery services, while there is no actual cooking by consumers, the wait time for delivery may affect the freshness, temperature and flavor of the food delivered. Moreover, some consumers may prefer to control the ingredients, seasoning and cooking oil used in preparing the food. High quality home meal products can effectively address the concerns in relation to freshness, hygiene and flavor preservation. Furthermore, consumers can monitor and control the quantity and quality of seasoning and cooking oil when they purchase home meal products for cooking at home. As such, the provision of home meal products strike the balance between nutrition, taste, hygiene and efficiency. Home meal products include ready-to-eat, ready-to-heat, ready-to-cook foods and prepared ingredients. Consumers can see and tailor what ingredients and flavors go into what they eat and can easily prepare a meal with minimal cooking skills. As different dining scenarios can be satisfied and a wide variety of foods and cuisines can be offered, meeting a wide range of dining demand, this option has become more prominent and is expected to be the fastest growing segment of China's dining industry from 2022 to 2027, although its market size is expected to remain smaller than those of the other three dining options, according to Frost & Sullivan.

As the leading one-stop home meal products brand in China, we are well positioned to capture the significant growth potential in China's home meal products market. We offer tasty, convenient and affordable home meal products underpinned by high quality food ingredients that have an immense potential for creating new and diverse products, to satisfy different dining scenarios. Under our franchise business model, we derive substantially all of our revenue from the sale of our products to franchisees, who open and operate franchised stores under our brand and sell our products to consumers. As of April 30, 2023, we established a network of 9,844 stores under our Guoquan Shihui brand in China, covering 29 provinces, autonomous regions and municipalities. We have also been developing online sales channels including our Guoquan APP, WeChat mini-program as well as on popular social commerce platforms such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan and Ele.me to deliver our products to consumers. Leveraging the highly efficient management and operation of our supply chain and our digitalized management system, we are able to ensure product quality and safety, as well as achieve high operational efficiency from food production to retail sales.

We experienced significant growth during the Track Record Period. Our total revenue increased by 33.5% from RMB2,964.7 million in 2020 to RMB3,957.8 million in 2021 and further by 81.2% to RMB7,173.5 million in 2022. For the four months ended April 30, 2023, we achieved a total revenue of RMB2,078.2 million. Our gross profit increased by 7.9% from RMB329.3 million in 2020 to RMB355.3 million in 2021, and further by 251.5% to RMB1,249.0 million in 2022, and increased by 47.7% from RMB297.5 million for the four months ended April 30, 2022 to RMB439.3 million for the same period in 2023. Our gross profit margin generally showed an upward trend during the Track Record Period, being 11.1%, 9.0%, 17.4%, 13.8% and 21.1% in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively. Our significant growth has enabled us to capitalize on the advantages of economies of scale. This has been accomplished through our rapid expansion, our focus on cost optimization, our elevated brand recognition, and our efforts to further advance our digitalization initiatives. As a result of these efforts, we broke even in 2022 with a net profit of RMB241.0 million and RMB119.6 million in 2022 and the four months ended April 30, 2023, respectively.

OUR STRENGTHS

Notes:
1: In terms of retail sales value of home meal products in 2022, with a market share of 3.0% in China
2: In terms of retail sales value of at-home hotpot and barbecue products in 2022
3: In terms of retail sales value of proprietary brand home meal products in 2022
4: As of April 30, 2023
5: In terms of number of retail stores as of December 31, 2022
Sources: Frost & Sullivan and Company's information

As illustrated by the above diagram, we believe the following competitive strengths have contributed to our success and distinguished us from our competitors:

China's leading and rapidly growing home meal products brand, catering to the people's dining needs at home

We are the leading and a rapidly growing home meal products brand in China, with market leading positions in terms of brand, products and retail channels:

- **Brand**: We are the leading one-stop home meal products brand in China, ranking first among all retailers in China in 2022 in terms of retail sales value of home meal products, with a market share of 3.0% in China, according to Frost & Sullivan. We strategically entered into China's home meal products market specializing in at-home hotpot and barbecue products, capitalizing on the popularity of the hotpot and barbecue in China while offering a convenient and efficient product portfolio for consumers to enjoy the experience in the comfort of their own homes. We were the largest at-home hotpot and barbecue brand in China in 2022 in terms of retail sales value, according to Frost & Sullivan. Our market leading brand and scale enable us to amass significant and frequent demand from consumers. Capitalizing on benefits of economies of scale, we are able to optimize our operations, reduce costs, and improve overall efficiency, enabling us to compete in the market and achieve sustainable growth.

- **Products**: We remain committed to developing our proprietary brand products. We were China's largest home meal products retailer under proprietary brands in terms of retail sales value in 2022, according to Frost & Sullivan. As of April 30, 2023, approximately 95% of our nationally available SKUs are sold under our proprietary brand name. Proprietary brand products play a crucial role in promoting a unified brand image and maintaining control over product quality. By focusing on the development of our proprietary brand, we are able to create a consistent image of quality and reliability in the minds of consumers. This approach also allows us to have greater control over the supply chain and production process, ensuring that our products meet our high standards of quality and safety. Moreover, our emphasis on proprietary brand products strengthens our ability to manage our sales network in a cohesive and organized manner.

- **Retail Channels**: We established the largest one-stop home meal products retail store network in China as of December 31, 2022, according to Frost & Sullivan. Leveraging such store network, we offer consumers both online and offline retail channels, amassing over 100 million orders in 2022 alone. Our store network further increased from 9,221 stores as of December 31, 2022 to 9,844 stores as of April 30, 2023. This extensive network allows us to penetrate deeply into local markets across the country, reaching a diverse range of consumers with our products. Additionally, our pervasive sales channel provides us with a platform to promote a consistent brand image across all retail stores in our network, fostering trust among consumers.

As an increasing number of people begins to change their habits to adopt a healthier lifestyle, there is a growing demand for food that is nutritious, flavorful, hygienic, and efficient. Thus, the market for home meal products is rapidly growing with enormous market potential, growing at a CAGR of 25.5% from 2018 to RMB367.3 billion in 2022; it is expected to be the fastest growing segment of China's dining market from 2022 to 2027, according to Frost & Sullivan. Our established brand image, proprietary brand products known for tasty, convenient, affordable, and consistent high quality, as well as broad and diverse sales channels, have enabled us to capitalize on the significant growth potential in China's home meal products market. We experienced strong revenue growth during the Track Record Period, growing by 142.0% from RMB2,964.7 million in 2020 to RMB7,173.5 million in 2022. For the four months ended April 30, 2023, we achieved a total revenue of RMB2,078.2 million. Our gross profit increased by 279.3% from RMB329.3 million in 2020 to RMB1,249.0 million in 2022, and increased by 47.7% from RMB297.5 million for the four months ended April 30, 2022 to RMB439.3 million for the same period in 2023. We successfully broke even in 2022 with a net profit of RMB241.0 million and RMB119.6 million in 2022 and the four months ended April 30, 2023, respectively.

Home meal products with value-for-money and variety, improving the efficiency of at-home meal preparation

Our business philosophy is centered on providing convenient, high quality home meal products with the best value-for-money to consumers. This caters to consumers' heightened cost-consciousness and demand for taste and quality when choosing home meal products, as dining at home become an increasingly frequent consumption scenario.

We are committed to enhancing the efficiency of at-home food preparation. Our home meal products that are mainly ready-to-eat, ready-to-heat, ready-to-cook products or prepared ingredients provide consumers with an efficient and easy way to prepare a meal at home, regardless of their levels of cooking skills. Home dining products aim to strike the balance of nutrition, taste, hygiene and efficiency. Our product offerings conveniently meet consumers' diverse dining demands in a one-stop shop manner, encompassing hotpot soup base, condiments, meatballs and paste, meat, vegetables, beverages, pots and grills.

We have created a diversified product portfolio in terms of both product categories as well as the consumption scenarios it serves. We have expanded our product categories from hotpot and barbecue products to various other categories, including beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks, totaling 710 SKUs as of April 30, 2023. Consumers can create different combinations of our products to serve their taste preferences and eating habits. The wide variety of food ingredients that we offer can be mixed and matched to form home meal products with significant combination potential. For example, our tomato hotpot soup base, beef, pickled vegetable broth, and fish filet are not only excellent hotpot mixes but can also be used to prepare a tomato beef dish or boiled fish with pickled vegetables dish on their own. In addition, our diversified product portfolio can serve a wealth of dining scenarios. This enables us to advocate for new kinds of dining scenarios and keep up with evolving trends and lifestyles, such as extending from dining at home to outdoor barbecue, campsite dining, office hotpot and solo dining.

We constantly enrich the diversity of our product portfolio catering to the evolving consumer demands and preference through close collaboration with our suppliers and our R&D centers. We are customer-driven and adopt a C2F approach with respect to our product development. Based on our regular consumer surveys, consumer feedback and market trend analysis, we would launch new products and upgrade existing products from time to time. We launched 66, 185, 173 and 45 new SKUs in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We also regularly launch products for local markets catering to diverse consumer preferences in different geographical areas. Leveraging our profound consumer insights and R&D efforts, we have gained product curation capabilities enabling us to optimize our product offerings to franchisees accurately catering to individual and regional preferences while keeping up with the constantly changing tastes of the masses.

Leveraging the above, we distinguish ourselves from competitors by offering a wide range of fresh, high-quality ingredients that cater to different dining scenarios, allowing customers to personalize their dining experiences conveniently. Our commitment to understanding customer preferences, and leveraging our strong brand reputation ensures that we stay ahead of market trends and consistently deliver tasty and affordable home meal products.

Largest home meal products retail store network in China fostering a lively community that brings convenience to people's lives

According to Frost & Sullivan, we established the largest one-stop home meal products store network in China in terms of number of retail stores as of December 31, 2022, with a total of 9,221 retail stores in 29 provinces, autonomous regions and municipalities across China. The total number of stores in our network increased from 1,441 at the start of 2020 to 9,844 as of April 30, 2023, and further to 10,025 as of the Latest Practicable Date. As of April 30, 2023, our store network comprised 2,853 stores in provincial capitals and municipalities and 6,991 stores in lower-level cities. We not only aim to expand our network to increase coverage of lower-level cities but also strategically build our presence and seize market share in most provincial capitals and municipalities.

Convenience is often a key consideration for consumers in deciding their choice of dining options, as many people have limited time reserved for meal preparation given their busy schedules. Our community-based stores are generally conveniently located in close proximity to residential neighborhoods, providing easy access to daily home meal needs. In addition, we take pride in bringing warmth and building strong connections to the local community. During the COVID-19 pandemic, despite Shaanxi, Hebei, and other provinces affected by the pandemic, some stores continued to operate and provide essential home meal products for surrounding residents without raising prices in these regions after obtaining special permits from the government to safeguard key supplies.

As we grow our store network, we endeavor to promote the growth and success of our franchisees, who are a part of the communities we serve. As of April 30, 2023, our 9,838 franchised stores were operated by 6,045 franchisees and approximately 29% of our franchisees operated more than one franchised store. Despite the rapid expansion of our store network across China, our strong continued support for our franchisees has resulted in a franchised store closure rate as low as 3.0% for 2022. Our all-round support for franchisees and their franchised stores fosters the franchisees' entrepreneurship rooted in their communities, with many of them starting from operating a single franchised store to operating multiple franchised stores.

Our extensive nationwide store network with wide geographic coverage contributes to enhancing our brand awareness and is also conducive to generating consumer insights and thereby improving our responses to the rapidly changing market trends across different regions. The density of store network improves the efficiency of logistics and transportation. Moreover, the stores in our network provide consumers with both online and offline shopping options as our products are available for in-store purchase and through home delivery, achieving highly extensive consumer reach.

Streamlined supply chain management and operation enabling cost optimization and ensuring product quality and safety

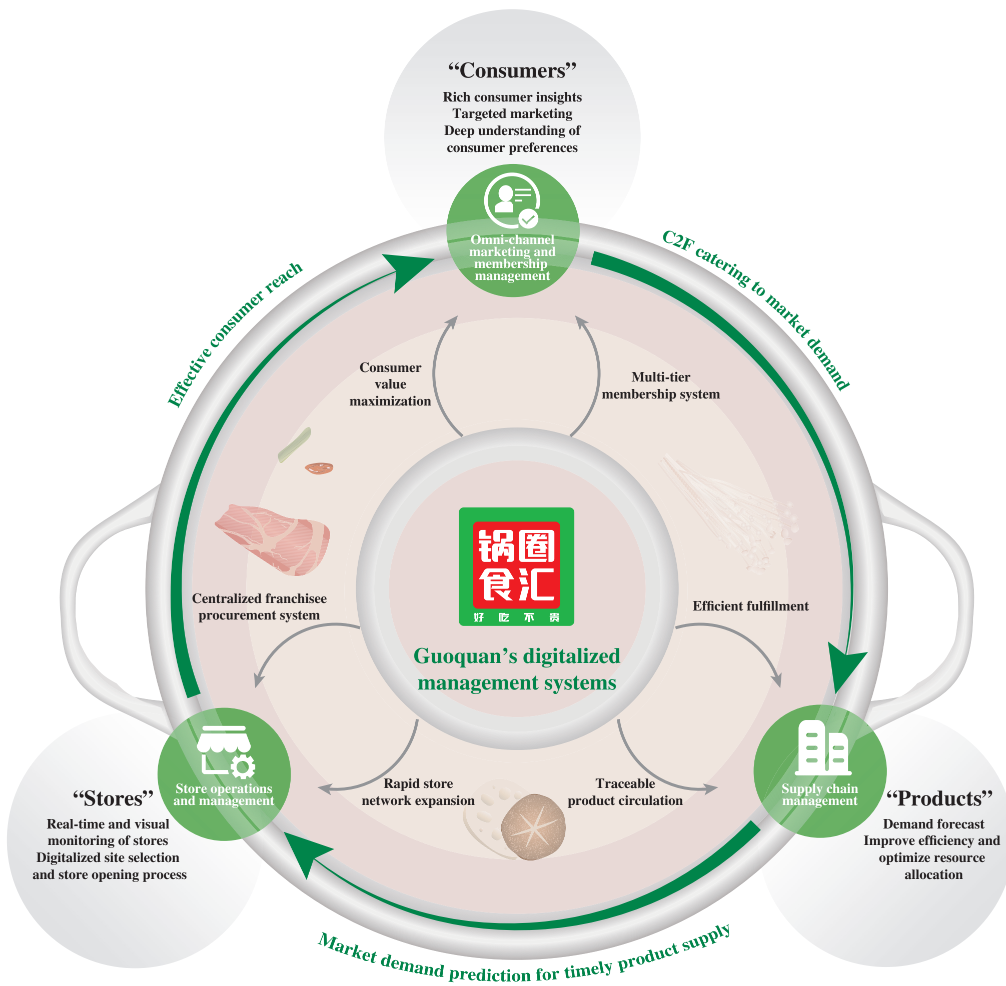
We operate under a streamlined and highly efficient supply chain from production facilities to third-party central warehouses and further to retail stores, eliminating redundant intermediate parties in the supply chain, thereby optimizing cost to offer affordable products to franchisees and consumers. Our highly efficient supply chain management significantly contributes to the efficiency of our operations, achieving next day delivery from third-party warehouses to stores for most orders. Partnering with third-party providers with integrated warehousing and logistics services, we achieved wide geographic coverage across China to deliver our goods efficiently. Moreover, our supply chain system has been providing solid support for our stores across China, enabling rapid expansion and continued deepening of our store network in the future. Our nation-wide retail network generates a large demand from consumers across China, giving rise to large scale procurement needs which has given us the ability to negotiate with suppliers from a position of strength, allowing us to secure high quality, consistent products at competitive costs.

Our supply chain system also contributes to the high quality and safety of our products with cost advantages. We have maintained a stable, mutually complementary relationship with upstream suppliers, including renowned and household brand names such as Anjoy and Sanquan. Adopting our one-product-one-factory model, we have strategically acquired food ingredient production capabilities to achieve stronger control over the production and supply of our staple products. As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for the production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products, in order to have better control of the production and supply of our major products. Our long-term stable relationship with suppliers and control over the production of our staple products further ensure the supply of high-quality food and the best value-for-money to consumers.

Moreover, our robust supply chain management system enables us not only to replenish inventory timely but also to respond quickly to changes in market trends and customer preferences, helping us satisfy customer needs precisely as well as improve their shopping experience. We are able to customize our product offerings according to consumers' needs identified through our extensive reach to consumer, achieving the C2F development of products. Leveraging our streamlined supply chain management and operation, our gross profit margin increased from 11.1% in 2020 to 17.4% in 2022, and further to 21.1% for the four months ended April 30, 2023. Our gross profit increased by 279.3% from RMB329.3 million in 2020 to RMB1,249.0 million in 2022, and by 47.7% from RMB297.5 million for the four months ended April 30, 2022 to RMB439.3 million for the same period in 2023. We had no major food safety incidents during the Track Record Period and as of the Latest Practicable Date.

Digitalized management systems to achieve high operational efficiency

Information technology has fueled our robust operation and rapid expansion. We have digitalized our core operations to maximize efficiency throughout our business process, as illustrated by the following diagram:



Digitalized, omni-channel marketing and membership management system. Our digital marketing and membership management system builds close online and offline connections and engagement with consumers. Through our digitalized membership system, we are able to analyze the consumption behaviors of our members and categorize them accordingly, to further optimize our product offerings and services. We are able to provide differentiated products and services to consumers through our multi-tier membership management. As we have the record of orders placed by our members, we are able to better understand their preferences and precisely recommend and promote targeted products according to our predictions of their demands. Our average daily online orders increased from 6,193 in 2020 to 68,831 in 2022. As of April 30, 2023, the number of our registered members reached approximately 22.4 million.

Digitalized store operations and management. We have established a digitalized store operation and management system across core aspects of store operations as part of our efforts to improve operational efficiencies. For example, we have established a centralized procurement system for franchisees, enabling convenient order placement by franchisees, followed by efficient delivery of goods to stores. Furthermore, our digital management of store data facilitates our network expansion. Key data involved in the process of store opening including site selection, contract signing, store information and qualification management are all completed and stored online. We also have video supervision systems installed in most stores to enable real-time visual monitoring of store operations. Since the launch of our digitalized system, the average number of stores managed by each staff of our store operations team increased from 3.2 as of December 31, 2020 to 12.8 as of April 30, 2023.

Digitalized supply chain management. The digitalization of our supply chain comprising production, procurement, warehousing, and logistics allows us to monitor the supply and demand dynamics from procurement-end to store-end and closely monitor our inventory level, enabling highly efficient management of our entire supply chain. By tracking and processing orders received from stores across the country through our digitalized system, we are able to communicate with our upstream suppliers in advance to ensure timely availability of products for all of our stores. As of April 30, 2023, we leverage 14 digitalized central warehouses across China in cooperation with third-party warehousing and logistics providers, achieving swift circulation of products through digital stock and barcode management. As a result of our monitoring of product circulation, as well as efficient and accurate delivery of products to stores directly, we are able to realize next-day delivery to most of our stores across the country.

Visionary management team with rich industry experience and knowledge leading the successful development of our business and corporate culture

We are led by a management team with rich experience and profound understanding of the food and dining industry. With extensive experience and deep insights in the dining industry, Mr. Yang, our founder and Chairman, strategically designed our entire business architecture, greatly contributing to our success. Our management team includes highly experienced experts who have been serving in the dining industry for years as well as other experienced executives from different industries. Under the leadership of our management team, we have become the leading brand for home meal products in China.

The culture of being "modest", "pragmatic", "down-to-earth" and "other-oriented" has been guiding our development and commitment to providing tasty, convenient and value-for-money product to people all over the country. Our business model revolves around serving others in the best possible way we can. We are devoted to satisfying the diverse needs of consumers and providing convenient and pleasant consumption experiences while ensuring product quality and safety. Our employees are the indispensable link between us and our suppliers, franchisees, store managers and consumers, forming an integral part of our corporate culture. We are committed to the continual development of talent, integration of management, employees and franchisees into our training system, which promotes equal conversations and knowledge sharing. We have also been diligently providing comprehensive support to empower and cultivate our franchisees to promote their business growth and success. Moreover, our management team also places great importance in serving the society and have been actively involved in environmental protection, charitable contributions, disaster relief, and community support.

OUR STRATEGIES

To achieve our vision and further solidify our market leadership, we intend to pursue the following strategies:

Expand and deepen our omni-channel sales network to further our direct reach to consumers

We plan to strengthen the depth and breadth of our offline store network by deepening market penetration in regions already covered and expanding our network to new regions. We will continue to open more stores in provincial capitals and municipalities, and open premium stores in Beijing, Shanghai, Hong Kong and Macau to offer high-end products. Moreover, we will continue to penetrate into new geographic regions, to cover more county-level-and-above cities in China and gradually extend to townships, offering quality ingredients to the general households in towns and villages across the country. We also plan to open new stores overseas where Chinese population is concentrated such as Indonesia, Thailand, Malaysia, the Philippines and Singapore to meet their needs for home meal and suit their taste preferences through developing localized flavor and ingredients and enlarging product categories.

We also plan to further develop our online sales platforms including third-party food delivery platforms, Guoquan APP, WeChat mini-program and Douyin and enhance our all-in-one stores initiative to upgrade our brick-and-mortar stores into offline-to-online hubs and satellite warehouses to provide a seamless shopping experience. To this end, we plan to continue to upgrade our online platforms to complement our offline stores by utilizing its expandable capacity for product display to continually expand our product portfolio beyond the constraints of physical retail space. Our online platforms will also provide more targeted recommendations on product combinations according to their buying habits, thereby increasing consumer traffic. While visiting offline stores, consumers would be prompted to visit our online platforms to explore more product choices and return to the offline stores to pick up their orders, effectively increasing both online and offline consumer traffic. After consumers place online orders, products will be shipped to the offline stores for pickup by consumers, effectively serving as satellite warehouses. This mutually empowering offline-to-online integration and the additional function of offline stores as satellite warehouses would thereby drive the increase of online and offline store sales, and in turn our revenue.

Moreover, we will continue to cultivate more entrepreneurial franchisees by encouraging our existing franchisees to open more franchised stores. We have always been supporting our franchisees to develop their regionally integrated operations as a long-term business. As of April 30, 2023, approximately 29% of our franchisees were operating more than one franchised store. We intend to continue to strengthen our support and empowerment of franchisees and assist them in cost control through strengthening our back-end business capabilities while simplifying our front-end, franchisee-facing system. Through enhancing our back-end digitalization and data analysis capabilities, we expect to provide franchised stores with cost and profitability analysis to benchmark against the common performances of franchised stores in the same region to assist franchisees to better identify their shortcomings and adopt more effective cost control measure such as reducing electricity consumption. On the front-end, we will simplify the franchisee procurement process through our centralized franchisee procurement system with intelligent product recommendation to enable more efficient inventory management and more accurate product selection by franchised stores to further improve their inventory turnover and potentially boost their sales. Such efforts are intended to drive our revenue growth as franchised stores become more successful and as franchisees open more stores. We also plan to propel their sales growth and cultivate entrepreneurial franchisees by continuously expanding to more product categories, upgrading our product portfolio, and developing more online leads. Going forward, we will continue to optimize our internal training system, *Guoquan Academy*, and build up franchisee and store manager organizations to facilitate the sharing of management experience amongst them. This will improve service quality, raise consumer stickiness and further improve store performance.

Continually extend to more consumption scenarios such as campsite dining and solo-dining to further cater to consumer needs

We aim to create a more diverse product portfolio by actively expanding our product categories and combinations to meet consumers' needs with different consumption scenarios and dining habits. For example, we intend to extend our product categories to fruits, snacks, beverages and alcoholic drinks in order to serve consumption scenarios such as campsite dining, casual snacking at home, fruits and light meals and solo dining. We are exploring campsite dining as a new consumption scenario, especially for our barbecue products, to further expand our scope of business to fulfill campsite dining need in a one-stop manner. We believe that a more diverse product portfolio can effectively attract more consumers, serve more consumption scenarios, and in turn generate more revenue and increase our market share.

Leveraging our strong supply chain capabilities, we plan to establish home meal products processing centers to offer customized Chinese food products. Our home meal products processing centers will offer consumers a great variety of ready-to-cook meal kits to better suit the demand for different styles of convenient meal preparation at home. As the Chinese culinary culture combines vastly different tastes across the country, home meal products processing centers will provide customized ready-to-cook meal kits with localized flavors in addition to our standardized products, including signature dishes from the cuisines of each province. The establishment of our home meal products processing center network will further support our next-day pickup business. Customers can place orders on our Guoquan APP and WeChat mini-program, and the customized products will be available for pickup at a nearby store the next day, enabling efficient meal preparation. By building home meal products processing centers to serve home cooking scenarios, we will not only be able to make meal preparation at home easier but also further cater to different consumer needs and increase our sales through more diverse product categories and combinations.

Strengthen our R&D and upstream supply chain to expand product offerings to reinforce our core competitive edges

We intend to intensively enhance our R&D capability, enrich our product offerings and create tasty, convenient and value-for-money specialties. To this end, we plan to build more R&D centers and continue to collaborate with upstream suppliers to improve our R&D and innovation capability. We intend to optimize and upgrade our existing products by continually adjusting our production processes according to consumer feedback. We also plan to develop more new products including premium-quality meatballs, shrimp pastes, seafood products and regional delicacies. Based on consumption data analytics, we will prioritize developing products with localized features to meet local preferences. As a result, we believe we will be able to reinforce the identity of our products as tasty, convenient and affordable.

We will continue to vertically integrate our supply chain to improve our profitability as well as cultivate more food product brands and expand product categories. For our core products such as beef and lamb, meatballs, shrimp pastes and hotpot seasoning, we will continue to adopt our one-product-one-factory strategy to achieve economies of scale and increase our profit margins and cost advantage. We plan to further integrate our upstream resources and source quality food ingredients through investment in or partnerships with selective and qualified Chinese and overseas food suppliers who have market potential and can achieve synergy with us. During the Track Record Period, we have acquired and invested in several factories to produce our core products. Such efforts in vertically integrating our supply chain have contributed to strengthening our financial performance through (i) producing products at the same or lower prices than procuring from third-party suppliers thereby reducing our cost of goods sold, while consolidating additional profits generated from sales to external third parties by the factories we have acquired, and (ii) enhance quality control of products, shorten supply cycle and increase stability. Meanwhile, we will continue to cultivate and launch more food product brands catering to different sales channels to further broaden our consumer reach. For example, we collaborated with Luyi Chengming to launch "Seven Tomatoes," a tomato hotpot soup base brand for this purpose. We believe that these plans will not only further increase our revenue and profit but this purpose also facilitates product innovation and development from the source of the supply chain.

Enhance digitalization to continuously increase overall operational efficiency and revenue, while ensuring food safety

We plan to continue to enhance our digitalization across all aspects of our operations with the following focuses:

Product management. With food quality and safety as our utmost priorities, we will continue to enhance digitalized management of our products. We plan to strengthen visualized management at production facilities and carry out computerized monitoring of the supply process covering production, transportation, store delivery and product sales. This will enable consumers to easily access product information through our traceability system, which will further enhance our food safety standards and consumer confidence. We also plan to establish procurement and fulfillment management platforms to enable synchronization of inventory turnover data and inventory management. This will also enable the accurate monitoring of product demand and freshness, thereby lowering fulfillment costs and reinforcing product quality control. In addition, we will extensively utilize sales data at store level to inform upstream production decisions, adjusting and optimizing our product R&D and production decisions.

Store management. We are committed to continuously developing and optimizing our in-house digital operation and management system for our stores to improve standardization and management efficiency. We will further optimize the functions of our centralized franchisees procurement system including intelligent product recommendation for franchisees, settlement reconciliation, and inventory management, as well as optimizing the intelligent analysis of store profitability, to help franchisees improve their store performance and management efficiency. Going forward, we will strive to achieve all-round digital management of the franchised stores by deploying smart video-monitoring devices and proprietary cashier systems, to better assure food safety, high service quality and standardization of operations.

Intelligent membership system. We will continue to advance the development of our membership system and grow our membership base through precision marketing and optimized membership benefit program. We will also strengthen our insights into consumer behavior to offer the most suitable marketing, services, and products, thus increasing members' activity and stickiness.

Enterprise management. We will continue to integrate connections between different systems and implement centralized management through the launch of proprietary systems to achieve digital integration of our business, financial, and supply chain management systems, thus continuously improving management and operational efficiency.

Continue to enhance our brand image and marketing efforts to increase consumer reach and stickiness

Our vision is to become the go-to brand for dining at home in China. After years of efforts, our brand concepts of "tasty, convenient and affordable" have become deeply rooted in consumers' minds. We will further invest in brand building and marketing to reinforce brand awareness increase brand recognition, reputability and consumer loyalty, such as through promotional events surrounding our "517" shopping day. We will also continue to reinforce "Seven Tomatoes" and cultivate other food product brands to further reinforce our brand image.

We also plan to carry out strategic marketing activities, both offline and online. We will continuously enhance our brand awareness and reputation to further deepen our consumer reach through high-profile TV commercials, offline advertisements, community group buy and social commerce platforms including Douyin, Kuaishou and Xiaohongshu.

OUR BRAND AND PRODUCTS

We operate our business under the Guoquan Shihui brand ("鍋圈食匯"), offering diversified, tasty, convenient and affordable ("好吃方便還不貴") home meal products in a one-stop shop manner for consumers across a wide range of dining scenarios. Our product portfolio comprises eight categories including hotpot products, barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks, totaling 710 SKUs as of April 30, 2023, with approximately 95% of our nationally available SKUs under our proprietary brand carrying the Guoquan Shihui logo.

The following table sets forth our revenue breakdown from the sale of our products by category for the years indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except percentage)									
							(Unaudited)			
Hotpot products	**2,389,863**	**81.9**	**3,091,345**	**79.7**	**5,352,027**	**75.8**	**1,670,137**	**78.5**	**1,518,322**	**74.8**
– Meats	691,880	23.7	881,995	22.7	1,507,886	21.4	481,099	22.6	404,169	19.9
– Meatballs and pastes	580,233	20.0	777,410	20.0	1,372,387	19.4	427,908	20.1	389,393	19.2
– Hotpot soup base	302,240	10.4	372,496	9.6	678,573	9.6	204,931	9.6	211,616	10.4
– Other hotpot products(1)	815,510	27.8	1,059,444	27.4	1,793,181	25.4	556,199	26.2	513,144	25.3
Barbecue products	**170,486**	**5.8**	**294,157**	**7.6**	**714,223**	**10.1**	**218,536**	**10.3**	**248,754**	**12.3**
Others(2)	**357,589**	**12.3**	**494,702**	**12.7**	**992,524**	**14.1**	**238,504**	**11.2**	**262,951**	**12.9**
Total	**2,917,938**	**100.0**	**3,880,204**	**100.0**	**7,058,774**	**100.0**	**2,127,177**	**100.0**	**2,030,027**	**100.0**

Notes:

(1) Other hotpot products mainly include beef tripe, bean curd products, seafood, poultry and starch noodles.

(2) Others mainly include food products such as beverages, solo-dining meals, ready-to-cook meal kits.

Our Main Products

Hotpot Products

As our main product category, our hotpot products consisted of 322 SKUs as of April 30, 2023, which primarily included meats, meatballs and pastes, hotpot soup base, and pots, among others.

The following table sets forth the shelf life, unit sales price range and net weight specification of the representative products of our hotpot ingredients as of April 30, 2023, and the revenue from the sales of the representative products in amount and as percentages of our total revenue during the Track Record Period:

Product name	Product picture	Shelf life	Unit retail sales price range	Net weight per individual package	Sales revenue	%
			(RMB)		*(RMB'000)*	
Shrimp paste (青蝦滑)		12 months	18.9-21.0	150g	711,215	4.5
Thinly sliced lamb (羔羊板)		12 months	20.0-22.9/49.0-55.0	200g/500g	507,431	3.2
Thinly sliced beef with tendon (筋頭巴腦雪花肥牛)		12 months	17.9-21.9/42.0-47.9	200g/500g	316,359	2.0
Thinly sliced snowflake beef (美人脂雪花肥牛)		12 months	32.0-37.9/63.8-69.0	250g/500g	249,581	1.6
Black beef tripe (巴適黑毛肚)		120 days	19.9	150g	227,385	1.4
Fish roe balls (魚籽福袋)		18 months	15.9-18.0	150g	211,998	1.3

Product name	Product picture	Shelf life	Unit retail sales price range	Net weight per individual package	Sales revenue	%
			(RMB)		*(RMB'000)*	
Thinly sliced chicken (烏雞卷)		12 months	12.0-14.0/28.0	200g/500g	182,800	1.2
Tallow hotpot soup base (牛油火鍋底料)		12 months	10.9-14.9/23.0-24.9	200g/500g	160,353	1.0
Juicy beef ball (撒尿牛肉丸)		12 months	3.9-5.0	120g	153,655	1.0
Tomato hotpot soup base (番茄火鍋湯料)		12 months	13.0-14.5	200g	132,349	0.8
Beancurd roll (豆香妙鈴卷)		9 months	12.0-15.0	120g	120,517	0.8
Chongqing traditional hotpot soup base (重慶老炮火鍋底料)		12 months	39.9-42.0/48.0-50.0	600g/750g	41,076	0.3

Barbecue Products

Our barbecue products primarily consist of seafood, skewers, other meat products, and barbecue grills. As of April 30, 2023, we had 194 SKUs under our barbecue products category.

The following table sets forth the shelf life, unit sales price range and net weight specification of the representative products of our barbecue ingredients as of April 30, 2023, and the revenue from the sales of the representative products in amount and as percentages of our total revenue during the Track Record Period:

Product name	Product picture	Shelf life	Unit retail price range	Net weight per individual package	Sales revenue	%
			(RMB)		*(RMB'000)*	
Seasoned crawfish (正經蝦-調味小龍蝦)		18 months	39.0	600g	110,156	0.7
Baked chicken wings (香烤翅中)		12 months	20.0-24.0	eight pieces per package	73,795	0.5
Lamb skewers (大串咩咩的串 (羊肉串))		12 months	23.9-25.9	200g	33,527	0.2
Beef skewers (大串哞哞的串 (牛肉串))		12 months	25.9-28.9	200g	23,975	0.2
Lamb tomahawk chops (戰斧羊排)		12 months	27.9-29.9	180g	20,321	0.1

Product name	Product picture	Shelf life	Unit retail price range	Net weight per individual package	Sales revenue	%
			(RMB)		*(RMB'000)*	
Chicken gristle (二十隻雞(掌中寶))		12 months	22.9-24.9	160g	19,826	0.1
Wagyu beef cubes (和牛小魔方)		12 months	22.9-25.9	150g	15,545	0.1

Others

We also offer beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks, among others. As of April 30, 2023, we had 194 SKUs under our other products category.

The following table sets forth the shelf life, unit sales price range and net weight specification of the representative products of our other products as of April 30, 2023, and the revenue from the sales of the representative products in amount and as percentages of our total revenue during the Track Record Period:

Product name	Product picture	Shelf life	Unit retail price range	Net weight/ volume per individual package/unit	Sales revenue	%
			(RMB)		*(RMB'000)*	
Electric heated hotpot (電火鍋)		N/A	198.0-203.0	N/A	145,732	0.9
Rotating barbecue grill (旋轉烤盤)		N/A	369.0	N/A	47,663	0.3

Product name	Product picture	Shelf life	Unit retail price range	Net weight/ volume per individual package/unit	Sales revenue	%
			(RMB)		*(RMB'000)*	
Kiwi-fruit juice (獼猴桃果汁飲料)		12 months	5.0-6.0	348ml	15,523	0.1
Black Pepper Sausage (黑胡椒地道腸)		12 months	11.8	300g	11,218	0.1
Yellow peach juice (黃桃汁)		12 months	11.9	1L	8,167	0.1
Crispy Popcorn Chicken (鹽酥雞米花)		12 months	6.9	250g	7,619	0.0
Hawthorn juice (山楂汁)		12 months	9.9	1.26L	6,966	0.0
Black Pepper Steak (黑椒牛排)		12 months	9.9	100g	5,773	0.0
Fish soup with pickled cabbage (金湯酸菜魚)		12 months	20.0	420g	3,544	0.0

Product name	Product picture	Shelf life	Unit retail price range	Net weight/ volume per individual package/unit	Sales revenue	%
			(RMB)		*(RMB'000)*	
Spicy grilled fish (重慶風味麻辣烤魚)		12 months	78.0	1.48kg	762	0.0
Sweet and sour sunflower seeds (山楂陳皮味瓜子)		8 months	1.0	20g	443	0.0

Pricing Policy

We offer high-quality products at competitive prices to bring best value-for-money to consumers. We set the retail prices for our products at the headquarters level, which our franchisees are required to adhere to. Recognizing the importance of adapting to local market conditions, we provide our franchisees with some discretions in terms of holding promotional events based on the specific needs and preferences of their local community. We set different retail pricing tiers for most of our nationally available SKUs, and select the appropriate tier for each region according to the region's level of consumption power and other factors. We conduct thorough market research to set the prices of our products, taking into account a number of factors including the specific situation of different regions such as local consumer purchasing power and preferences, as well as procurement costs and our target profit margin. We adopt the same retail prices for our products sold on the Guoquan APP and WeChat mini-program as our offline store in the same region, whereas the retail prices on third-party delivery platforms are slightly above our offline retail prices in the same region. We also closely monitor the pricing of our competitors in the same commercial districts to evaluate our pricing. We may update our pricing from time to time to reflect market trends and general economic conditions.

In terms of pricing for products we sell to our franchisees, we set a uniform selling price for each product, which applies to all franchises across our network. This approach helps ensure transparency and consistency in our pricing strategy. We set the prices to our franchisees considering numerous factors such as procurement and production costs, logistics and warehousing costs, anticipated profitability and pricing of our competitors and comparable products in the market.

OUR SALES CHANNELS AND STORE NETWORK

During the Track Record Period, we derived substantially all of our revenue from the sales of our proprietary brand products primarily comprising hotpot and barbecue products to our franchisees, who operate franchised stores under our brand and sell our products to consumers. The other sales channels primarily comprise (i) direct sales of our proprietary brand products to end consumers via our self-operated stores, (ii) sales of processed products by our self-operated plants to enterprise customers, and (iii) sales of processed meat parts to certain food wholesalers.

The table below sets forth our revenue breakdown by nature and channels in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)						*(Unaudited)*			
Product sales	**2,917,938**	**98.4**	**3,880,204**	**98.0**	**7,058,774**	**98.4**	**2,127,177**	**98.5**	**2,030,027**	**97.7**
Sales to franchisees	2,910,129	98.2	3,727,859	94.2	6,476,687	90.3	2,011,282	93.1	1,821,511	87.6
Other sales channels[1]	7,809	0.2	152,345	3.8	582,087	8.1	115,895	5.4	208,516	10.1
Operational support services[2]	**46,805**	**1.6**	**77,600**	**2.0**	**114,683**	**1.6**	**32,449**	**1.5**	**48,207**	**2.3**
Total	**2,964,743**	**100.0**	**3,957,804**	**100.0**	**7,173,457**	**100.0**	**2,159,626**	**100.0**	**2,078,234**	**100.0**

Notes:

(1) Other sales channels primarily include (i) direct sales to end consumers; and (ii) sales to enterprise customers, including food wholesalers, supermarkets, restaurants and other enterprises.

(2) We collect annual operational support service fee from each franchisee at a fixed amount for the support we provide to our franchisees such as training, guidance, branding, marketing and logistical support.

Offline Retail Store Network

As of April 30, 2023, we established a network of 9,844 stores under our brand in China, comprising 9,838 franchised stores and six self-operated stores. As of the Latest Practicable Date, all self-operated stores and the significant majority of franchised stores held the necessary permits and licenses for business operations in all material respects.

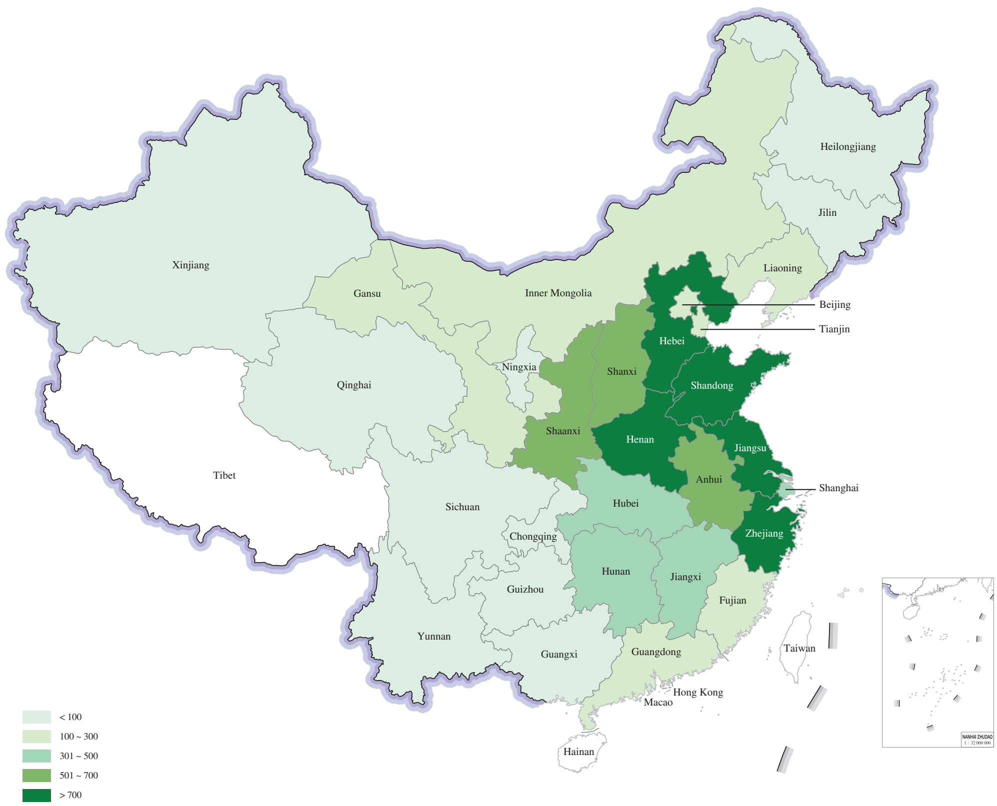
The following table sets forth the total number of franchised stores and self-operated stores as of the dates indicated.

	As of December 31,						As of April 30,	
	2020		2021		2022		2023	
	Number of stores	%	Number of stores	%	Number of stores	%	Number of stores	%
Franchised stores	4,296	99.9	6,864	99.9	9,216	99.9	9,838	99.9
Self-operated stores	4	0.1	4	0.1	5	0.1	6	0.1
Total	**4,300**	**100.0**	**6,868**	**100.0**	**9,221**	**100.0**	**9,844**	**100.0**

Under our franchised store model, we derive revenue from the sales of our products to franchisees, who open and operate franchised stores under our brand and sell our products to consumers. During the Track Record Period, we sold all our products within China. We enter into franchise agreements with franchisees granting them the right to operate franchised stores carrying our brand and trademarks. We do not charge or rely on franchise fees. In selecting our franchisees, we take into account their industry experience, financial circumstances, recognition of our value and management philosophy and their passion and long-term commitment towards operating our franchised stores.

In addition, as of April 30, 2023, we had six self-operated stores located in Chengdu, Shenyang, and Zhengzhou, for the purpose of providing a sample model for franchised stores as well as acting as pilot programs for innovative store operation and management strategies and tools, marketing activities, digital tools and new decoration styles, among others, before introducing them to our franchised stores.

The following map illustrates our store network including both franchised and self-operated stores as of April 30, 2023:



The following table sets forth the number of our stores by geographic location as of the dates indicated:

	As of December 31,						As of April 30,	
	2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%
Municipalities	176	4.1	376	5.5	687	7.5	749	7.6
Provincial capitals	832	19.3	1,329	19.4	1,959	21.2	2,104	21.4
Prefectural-level cities	1,201	27.9	1,867	27.2	2,549	27.6	2,758	28.0
County-level cities	1,355	31.5	2,094	30.5	2,437	26.4	2,582	26.2
Townships	736	17.1	1,202	17.5	1,589	17.2	1,651	16.8
Total	**4,300**	**100.0**	**6,868**	**100.0**	**9,221**	**100.0**	**9,844**	**100.0**

During the Track Record Period, we saw a steady increase in the number of stores in municipalities and provincial capitals in accordance with our strategy of establishing a balanced geographic presence across each administrative level in China. See "Financial Information — Description of Major Components of Our Results of Operations — Revenue."

As of April 30, 2023, our network consisted of 9,838 franchised stores and six self-operated stores.

Retail Store Features

Most of the standard stores in our network are between 40 and 100 sq.m. in size and staffed with two to three people. We instruct our franchisees on store design, layout and decorations to maintain consistent brand image and consumer experience across stores. Our stores feature a unified design where our standard store exteriors prominently display our brand name and logo, as well as our signature red and green colors. Products are neatly displayed and organized inside the stores to give consumers a convenient and pleasant shopping experience. Such standardized store presentation schemes lead to a consistent, distinct style across our franchised stores, reinforcing a uniform brand image to consumers.

In addition to standard stores, we also have two other types of stores, namely "store within a store" type stores ("店中店") and "township" type stores ("鄉鎮店"). Our "store within a store" type stores are typically set up within supermarkets or department stores to take advantage of high foot traffic and are 40 to 50 sq.m. in size and staffed with one to three people. Our "township" type stores are 30 to 70 sq.m. in size, staffed with one to four people, and are located in townships and villages, although not all stores located in townships are of this type. "Township" type stores serve the needs of residents in remote rural areas who may have difficulty finding tasty and affordable hotpot and barbecue ingredients. This store type is also suitable for franchisees in such places who want to invest in a low-cost business. These types of stores are managed in the same way as our standard stores.

As of April 30, 2023, there were 26 "store within a store" type stores and 941 "township" type stores in our store network.

The following pictures illustrate typical exteriors and interiors of standard stores in selected locations:

Franchised Stores

As of April 30, 2023, we were in contract with a total of 6,045 franchisees, operating 9,838 franchised stores in 29 provinces, autonomous regions and municipalities in China. The franchise business model provides an asset-light and cost-effective means of rapidly expanding our store network and geographical coverage in a short amount of time, which has in turn contributed significantly to the increase of our revenue, market share and brand recognition. Compared with a business model developed through employees who only receive salaries as incentive, the prospect of earning profits provides greater incentives to franchisees and better aligns their goals with ours. Franchise model is a common market practice in China's retail industry. We believe the effective and systematic management of our franchisees is critical to the success of our business. We consider each franchised store a conveyance of our business philosophy and brand image. Therefore, we value each of our franchisees beyond merely as a business partner, but also as a teammate who is committed to our business philosophy and motivated to grow our brand and store network with us. We strive to continuously support and empower our franchisees while providing comprehensive training for franchisees and their employees in terms of both store operations and business development, to help our franchised stores succeed.

The franchised stores are managed by our regional management teams. The regional management teams provide support and guidance for franchisees with respect to market development and store operating strategies, among others. With the support of our headquarters and management by our regional teams, we are able to empower and serve franchisees more efficiently and effectively to drive their sales growth, and in turn our revenue. The average number of orders procured from us per franchised store during the Track Record Period were 52.4 in 2020, 73.8 in 2021, 95.9 in 2022 and 32.6 in the four months ended April 30, 2023. Given the limited store size and warehouse storage space of each store, the overall increase in the frequency of orders for products procured from us by our franchised stores reflects the subsequent sales of products and an increase in consumer demand for our products.

The following table sets forth the revenue breakdown of our products sold to franchised stores by year of opening for the periods indicated:

	Year ended December 31,						**Four Months ended April 30,**	
	2020		**2021**		**2022**		**2023**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(RMB in thousands, except for percentages)							
Franchised stores opened before 2020	1,586,435	54.5	1,274,629	34.2	1,633,233	25.2	393,996	21.6
Franchised stores opened in 2020	1,323,694	45.5	1,788,414	48.0	2,416,207	37.3	585,378	32.1
Franchised stores opened in 2021	—	—	664,816	17.8	1,623,929	25.1	414,589	22.8
Franchised stores opened in 2022	—	—	—	—	803,318	12.4	347,813	19.1
Franchised stores opened in the four months ended April 30, 2023	—	—	—	—	—	—	79,735	4.4
Total	**2,910,129**	**100.0**	**3,727,859**	**100.0**	**6,476,687**	**100.0**	**1,821,511**	**100.0**

The revenue of our products sold to franchised stores that were opened in the same period during the Track Record Period generally showed a steady growth trajectory throughout the Track Record Period. For instance, the revenue contribution by franchised stores opened in 2020 increased from RMB1,323.7 million in 2020 to RMB1,788.4 million in 2021, and further to RMB2,416.2 million in 2022.

The following table sets forth the average revenue contributions by our franchised stores by time of opening for the periods indicated:

	Year ended December 31,			Four Months ended April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Franchised stores opened before 2020	1,051	861	1,113	270
Franchised stores opened in 2020	475	642	905	222
Franchised stores opened in 2021	—	256	600	158
Franchised stores opened in 2022	—	—	399	138
Franchised stores opened in the four months ended April 30, 2023	—	—	—	135
Average revenue contribution per franchised store	**677**	**543**	**703**	**185**

Growth of Our Franchised Store Network

The growth of our franchised store network is essential to the success and growth of our business. We expand our franchised store network both by attracting new franchisees to join our network and by encouraging existing franchisees to open new franchised stores. We expand our franchisee network primarily through our online franchisee recruitment channel and referrals by existing franchisees. Moreover, some consumers become our franchisees after learning about such business opportunity during their visits at our stores.

We motivate franchisees to open more franchised stores by providing comprehensive support to guide and empower our franchisees throughout all stages of franchised store operation, from site selection, store design, staff training, store opening to all post-opening operations and management. Moreover, our systematic and robust training program is designed to empower franchisees with necessary skills to successfully operate on their own and drive them to take initiative in improving their operational capabilities, motivating them to open and operate more franchised stores.

Historical Expansion

During the Track Record Period, our franchised store network grew rapidly. The following table sets forth the movement of our franchised stores during the Track Record Period:

	Year ended December 31,			Four Months ended April 30,
	2020	2021	2022	2023
Number of franchised stores at the beginning of the period	1,441	4,296	6,864	9,216
Number of new franchised stores opened during the period	2,883	2,762	2,631	754
Number of franchised stores closed during the period	28	194	279	132
Net increase in number of franchised stores for the period	2,855	2,568	2,352	622
Number of franchised stores at the end of the period	**4,296**	**6,864**	**9,216**	**9,838**

In 2020, 2021 and 2022, the number of franchised stores closed was 28, 194 and 279, respectively, with closure rates of 0.7%, 2.8% and 3.0% of the number of franchised stores at the end of the year, respectively. In the four months ended April 30, 2023, the number of franchised stores closed was 132. The major reasons for closures of franchised stores were (i) failure of franchised store to follow our store operational standards or otherwise materially breach the franchise agreement, and (ii) franchisees took the initiative to terminate for various personal reasons. For example, we may terminate franchised stores for selling self-procured products outside the permitted categories, or for violating food safety standards such as failure to dispose of expired or spoiled products.

For movement of our franchisees during the Track Record Period, see "— Our Sales Channels and Store Network — Offline Retail Store Network — Franchised Stores — Franchisee Selection."

During the Track Record Period, we have also seen an increase in the number of our franchisees who operate more than one franchised store. As of December 31, 2020, 2021, 2022 and the four months ended April 30, 2023, 892, 1,284, 1,651 and 1,765 of our franchisees were operating more than one franchised store.

Expansion Plan

We plan to continue to grow our presence by expanding our geographic coverage and deepening our market penetration. In terms of geographic location, we will deepen our penetration in provincial capitals and municipalities. Increasing our store density in these economic hubs will enable us to further strengthen our brand awareness and drive our sales growth as we gradually extend to lower level cities in the region. The number of franchised stores in municipalities expanded from 176 as of December 31, 2020, to 376 as of December 31, 2021, and further to 687 as of December 31, 2022 and 749 as of April 30, 2023, enhancing our store representation from 4.1% to 5.5% and further to 7.5% and 7.6% in these regions, respectively. There is a similar upward trajectory for stores in provincial capitals, where the number of franchised stores increased from 832 as of December 31, 2020 to 1,329 as of December 31, 2021 and further to 1,959 as of December 31, 2022 and 2,104 as of April 30, 2023, enhancing our store representation from 19.3% to 19.4% and further to 21.2% and 21.4% in these regions, respectively. In accordance with such expansion strategy, the revenue contribution of our sales to franchised stores in provincial capitals and municipalities also generally showed an upward trend, being 27.3%, 30.3%, 33.5% and 31.5% in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We will also continue to penetrate into new geographic regions, gradually covering more county-level-and-above cities in China and open new stores overseas where Chinese population is concentrated such as Southeast Asia. We plan to establish approximately 2,500 new franchised stores in 2023. We have newly opened 754 franchised stores in the first four months of 2023, with 194 newly signed franchised stores in addition that have not yet opened for business. Therefore, we are on track for our expansion plan for 2023, especially as historically, more franchised stores open in the second half of the year. We also plan to increase the ratio of our franchisees who operate more than one franchise store.

Site Selection

We believe that each store's location is important for its success. We rigorously assess the viability of new stores, whether in new or existing cities. We generally prefer opening new stores in close proximity to residential neighborhoods.

Usually, the franchisee identifies and selects the suitable location for the new franchised store and submits a proposal to our marketing department, who prepares an evaluation report for the proposed new franchised store according to our evaluation standards, based on thorough surveys and analysis (including on-site visits) in connection with the target location, which cover local population size and density, consumer traffic, demographics, spending patterns and income level, expected revenue level, as well as characteristics of residential neighborhoods within one kilometer of target location. We may only approve the store opening and sign the franchise agreement after the store location evaluation report is approved by us.

New Store Opening Process

It takes an average of approximately 40 days to open a new franchised store after signing of the franchise agreement. The development process of a new franchised store mainly consists of the following key steps after signing of the franchise agreement and approval of the new store location:

- *Store design and renovation*. We provide store design plans to ensure unified design and recommend third-party vendor to provide store renovation and decoration services for the franchised stores, with the associated costs borne by franchisees.

- *Obtaining licenses and permits*. Franchisees are responsible for obtaining all the licenses and permits required for operating a franchised store.

- *Hiring store employees and training*. Franchisees and store staff must complete mandatory trainings before store opening. Such trainings are included in the service fees we charge the franchisees.

- *Initial equipment and stock purchase*. Before store opening, the franchised store will procure store inventory and the necessary equipment for store operations such as freezers and POS machine that is connected with our centralized POS system from us at their cost.

- *Store opening assistance and supervision*. Our store operations team will provide assistance for franchised stores in planning their initial opening such as devising marketing campaigns, guiding store staff through daily operation procedures, and supervising their preparations for opening. Such assistance is included in the service fees we charge the franchisees.

- *Initial marketing*. Based on the marketing strategies we devise with franchisees tailored to the franchised store, they engage in pre-opening marketing activities including online and offline advertisements and offer gifts and prizes to attract consumers on opening day. Such marketing costs are borne by franchisees, although we may give free products such as pots and grills to the new franchised stores to gift to consumers during initial opening.

- *Official opening*. After final preparations, the franchised store officially opens.

Store Expansion Management

To manage our rapidly expanding store network, we have implemented measures and systems, including our centralized POS system, video supervision system, ad hoc on-site inspections and standardized guidelines for franchised stores. We established guidelines for franchised stores to standardize practice and ensure food safety standards are consistently upheld across our store network. To ensure that our franchisees follow our quality control standards and uniform procurement requirement, we monitor and manage the products sold by franchised stores through our POS system, video supervision system and periodic on-site inspection. To monitor the sales activities of the offline stores, we implemented a store-level POS system which is linked to and monitored by our centralized management system. We require all transactions to be recorded through the store-level POS system, except certain transactions through third-party delivery platforms and social commerce platforms. This cloud-based POS system is monitored by designated personnel in our headquarters, which is designed to improve operating efficiency and provide standardized and centralized control over product offerings and pricing. Our video supervision system allows us to remotely inspect different aspects of store operations, including whether there have been any sales of franchisee self-procured products beyond the permitted selection, and evaluate franchised stores' compliance and food safety standards. To ensure store quality, we conduct ad hoc inspections both through the video supervision system and on-site inspections. See "— Food Safety and Quality Control — Store Quality Control."

As we increase the density of our store network, we place significant emphasis on preventing cannibalization among our existing and new stores. We centrally manage and plan for new store openings taking into account a number of factors including the population, economic conditions, market potential and existing store network of each city and region. We consider the distance between each store for site selection approval purposes to eliminate the risks of cannibalization in advance. Each of our franchisees is required to operate the franchised store in the designated approved location as specified under the relevant franchise agreement. Any store relocation shall be approved by us in advance. New store openings by existing franchisees and the location of the new franchised stores are also subject to our approval, based on the additional factors including the performance records of the franchisees and their store management capabilities, whether operating our franchised stores is their main business focus, as well as their enthusiasm, loyalty and commitment to our business philosophy and values.

Franchisee Selection

Generally, upon receiving a franchisee candidate's initial application, we reach out to ascertain their identity and business plan, and then evaluate comprehensively their past relevant experience, financial situation, local connections and resources, risk capacity and tolerance, and understanding of our business philosophy and values. We believe our highly standardized, scalable and strictly controlled franchise model supported by our robust supply chain, standard operation requirements, and comprehensive training system enables us to attract, select and retain franchisees who have true enthusiasm, commitment and capabilities to grow with us as our teammates.

Key steps of our franchisee selection procedure include:

- Potential franchisees reach out to learn about our franchise model and submit initial franchisee application form and questionnaire on the applicant's general background and interest.

- If our marketing directors find the applicant to be a suitable candidate, he or she is invited to our office for further discussions where we learn more about the candidate, provide detailed information on becoming our franchisee and answer questions from the candidate.

- Subsequently, the candidate submit further materials for our final evaluation and approval, including their education, career and financial background, their relevant experience and understanding of our business.

The following table sets forth the changes in the number of our franchisees for the periods indicated:

	Year ended December 31,			Four Months ended April 30,
	2020	**2021**	**2022**	**2023**
Franchisees at the beginning of the period	1,007	2,629	3,955	5,680
Addition of new franchisees	1,652	1,575	2,195	670
Departing franchisees[(1)]	30	249	470	305
Net increase of franchisees	1,622	1,326	1,725	365
Number of franchisees at the end of the period	**2,629**	**3,955**	**5,680**	**6,045**
– Individual franchisees	2,628	3,954	5,650	5,991
– Corporate franchisees	1	1	30	54

Note:

(1) Number of departing franchisees may exceed the number of closed franchised stores for the same periods as many of the departed franchisee's stores are transferred to another franchisee without being closed.

During the Track Record Period, the total number of our franchisees increased steadily, from 2,629 as of December 31, 2020 to 3,955 as of December 31, 2021, and further increased to 5,680 as of December 31, 2022 and 6,045 as of April 30, 2023, in line with the expansion of our franchised store network. It is not uncommon during the Track Record Period that one franchisee own and operated multiple franchised stores, and some franchisees chose to open up more franchised stores when acquired successful operation experience. As of April 30, 2023, each franchisee owned and operated an average of 1.6 franchised stores.

Franchisees may opt to operate the store as an individual, or incorporate a corporate entity, subject to (i) the local regulations of the region(s) they choose to operate, and (ii) their personal preferences. The number of corporate franchisees increased from one as of December 31, 2020 and 2021 to 30 as of December 31, 2022, and further to 54 as of April 30, 2023. The overall revenue contributions by such corporate franchisees accounted for approximately 0.3%, 0.4%, 0.3% and 0.5% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. To the best of our knowledge, during the Track Record Period, our franchisees departed primarily because they were not able to continue to operate their franchised stores due to personal reasons or other reasons not within our control. Subject to negotiation with the relevant franchisees and under certain circumstances, such as failure of franchisees to follow our store operational standards or otherwise materially breach the franchise agreement, we may from time to time decide to terminate the franchise arrangements with our franchisees and close the relevant franchised stores.

For movement of our franchised stores during the Track Record Period, see "— Our Sales Channels and Store Network — Offline Retail Store Network — Franchised Stores — Growth of Our Franchised Store Network — Historical Expansion."

Franchise Agreement

We enter into franchise agreements with our franchisees to govern our relationship and the operation of our franchised stores. Below is a summary of the salient contractual terms of our standard franchise agreements:

- *Product offering and pricing.* Franchisees must only sell products procured from us, with the limited exception that we may give consent to franchisees to self-procure a specified range of fresh produce from local sources for convenience. For details, see "— Our Sales Channels and Store Network — Offline Retail Store Network — Franchised Stores — Uniform Procurement." Franchisees must strictly adhere to our pricing and may not set their own prices for products sourced from us. When we uniformly adjust our pricing due to market change, franchisees must timely adjust their prices accordingly to avoid penalties.

- *Exclusivity.* Without our prior consent, our franchisees are prohibited from engaging in any other franchise business operated by our competitors.

- *Location and renovation.* Store location is specified in the franchise agreement, and franchisees are not allowed to change their designated store location or open new franchised stores without our consent. We determine the distance between the franchised stores based on our market analysis as well as commercial considerations to avoid potential cannibalization. To ensure the uniformity of our brand image, we provide store design plans and recommend third-party vendor to provide store renovation and decoration services as well as store equipment and appliances for the franchised stores, with the associated costs borne by franchisees.

- *Service fees.* We do not require our franchisees to pay us franchise fees or royalty fees. Our franchisees are usually required to pay us a fixed service fee of RMB20,000 per year per franchised store for the support we provide to our franchisees such as training, supervision, guidance, branding, marketing and logistical support. As an incentive for franchisees to operate multiple stores, we may charge franchisees that open more than two stores a lower service fee of RMB10,000 or waive such service fee for additional stores opened by the same franchisee, depending on the region where the proposed store is located.

- *Security deposit.* We charge a fixed amount of security deposit of typically RMB20,000 per franchisee upon first signing with each franchisee. We are entitled to deduct from the security deposit the amount of outstanding payments or damages due from the franchisee for any breach of the franchise agreement and require the franchisee to replenish the security deposit amount. Where the outstanding payments or damages exceed the security deposit amount, we are entitled to require further payments from the franchisee. Such security deposit will be returned to the franchisee provided that the franchisee has fully discharged its liability under the franchise agreement and ceased all operations of the franchised stores.

- *Franchised store opening.* With our assistance, franchisees are responsible for obtaining all the licenses and permits required for operating a franchised store. Failure to do so or failure to commence store operations within 60 days of signing the franchise agreement gives us the right to unilaterally terminate the franchise agreement without refund of any fees paid to us already. We have established a store profile for each franchised store in our system where our marketing and operations teams verify the validity of their licenses and permits, as well as monitor the validity on an ongoing basis.

- *Operational standards and store management.* We have adopted strict standards and requirements to ensure standardized store operation and management. We require all franchisees to attend mandatory training before store opening and we have the right to conduct inspections of the franchised stores regularly to ensure compliance with our store management and operation standards. Any food safety related issues or consumer complaints resulting from the failure to adhere to these standards will result in the franchisee taking full responsibility and receiving penalty from us, and the franchisee shall compensate us any loss of profits and indirect losses such as those resulting from reputational harm.

- *Logistical support.* We provide logistical support to our franchisees by engaging third party logistics service providers to deliver products from third-party warehouses to franchised stores.

- *Liabilities.* Where consumers commence legal proceedings against us due to the misconducts of the franchisees, the franchisees shall compensate us for the associated costs. In addition, if we receive any consumer complaints in relation to the misconducts of the franchisees that infringed consumer rights, we have the right to compensate the consumers on behalf of the franchisees and deduct the amount from the security deposit paid by the relevant franchisees. However, we do not have any insurance that protects us from potential damages in relation to franchisee misconducts and consumer rights infringements.

- *Sales target*. While we did not set any sales target for any franchised stores during the Track Record Period, we monitor store performance and may offer guidance to franchisees to improve their sales.

- *Payment terms*. Generally, franchisees pay for products procured from us in advance of shipment. Franchisees pay us the annual operational support service fee for the first year within three working days of contract signing, and one month in advance for each following year.

- *Return or exchanges of products*. We typically do not allow the return or exchange of products procured from us by franchisees, other than for quality defects. Franchisees may reject goods delivered to them after inspection if the quality of goods are below standards.

- *Term and renewal*. The terms of our contracts with franchisees are generally three years. The agreement may be renewed if the franchisee fully complied with and carried out all obligations under the franchise agreement with no violations or has corrected such violations to our satisfaction. Renewal requests should be given at least six months before expiry.

- *Termination*. The major termination events include expiration of contract without renewal, one party's material breach of the franchise agreement and force majeure.

Given our franchise business model, (i) we do not accept product returns from franchisees unless the products are defective, (ii) we generally require full payment before delivering products to franchised stores, (iii) we did not impose any sales target for franchised stores, (iv) most of the products we sell to franchisees are frozen food products with storage requirements, and are usually delivered directly to the franchised stores which have limited capacity to maintain a large amount of inventory. Our franchisees generally place orders for our products in view of their depleting inventory. The average number of orders procured from us per franchised store during the Track Record Period were 52.4 in 2020, 73.8 in 2021, 95.9 in 2022 and 32.6 in the four months ended April 30, 2023. By comparing the sales transactions of our franchised stores as recorded in our POS system and the procurement orders placed by them, we did not detect any unreasonable fluctuations and material discrepancies during the Track Record Period. As such our Directors are of the view that franchisees have little incentive or ability to maintain an unreasonably high level of inventory and thus the risk of channel stuffing by our franchisees is low.

We had not experienced any material disputes or litigations with our past or present franchisees during the Track Record Period and up to the Latest Practicable Date.

Uniform Procurement

To ensure food safety, standardized quality as well as brand reputation, we require franchisees to uniformly procure all home meal products they sell from us. Violation results in deduction of security deposit, mandatory correctional training, or suspension of store operation. We also have the right to terminate franchisees who violate this rule repeatedly. As an exception, for convenience, we may give consent to franchisees to self-procure a designated range of fresh produce products from local reputable sources, provided that the procured products are in accordance with relevant food safety laws and regulations and that the franchisee bears any liability related to food safety and quality, and be liable to us for any damage caused to our brand reputation. Each franchised store usually self-procures no more than three permitted categories of products, namely soy products, vegetables and mushrooms, and the sales of these self-procured products usually account for a small portion of products sold by our franchisees. We provide an exhaustive list of permitted food items within these three permitted categories and franchisees are strictly prohibited from procuring products beyond this list. We are able to monitor and control the products sold by franchised stores through our POS system, video supervision system and periodic onsite inspection to ensure that the franchised stores do not sell products outside of our designated SKUs. To ensure the food safety and quality of self-procured products by franchisees, we require our franchisees to follow our quality control standard contained in the food safety handbook for franchisees. For example, the franchisee shall strictly control the source of the food, examine the quality of the suppliers and thoroughly inspect incoming products.

Inventory and Food Safety Management

We implement standardized guidelines for the franchised stores including, among others, our food safety management policy (門店食品安全管理制度) and food safety operations handbook (門店食品安全操作手冊) for franchised stores and stringently implement such standards to ensure our food safety standards are consistently upheld throughout our store network. Our food safety management policy for franchised stores include detailed rules and policies covering health and food safety training for employees, self-inspection and reporting for food safety matters, cleaning, disinfection, and maintenance of facilities and equipment, incoming inspection and record-keeping for product procurement, storage and product management, handling of substandard food products, customer complaint handling policy, waste disposal management, and emergency response plan for food safety incidents, among others. Our food safety operations handbook sets out detailed rules for self-procured products and the punishments imposed on violating related rules. The handbook also outlines the consequences of selling or storing expired products, and hygiene requirements for store staff and store interiors, as well as detailed step-by-step guidance on the self-inspection procedures to be regularly carried out by each franchised store.

Specifically for inventory and expired products management, stores are required to adhere to the First-In-First-Out principle, conduct regular inspection of products and record results on a real-time basis to identify and remove products approaching their expiration date in a timely manner. We have set out detailed standards on the time before expiration that products with different expiration periods must be removed. In addition, stores must inspect products received from us and reject any expired products and notify us.

Standardized Management and Supervision

We have adopted the following measures to ensure standardized store operation and management of our franchised stores. We require all franchisees, franchised store managers and employees to attend mandatory training and pass our assessments before they can operate a franchised store. After opening, we regularly provide training and guidance to franchisees in relation to our standards relating to food safety, inventory, product display, storage, labeling and packaging, among others.

Franchisees must adhere to our store management and operation standards, including ensuring all staff employees have necessary health certificates. Franchisees are required to utilize and only utilize our information management systems including our online store system, inventory ordering system, cashier system, financial system, and consumer membership system, to facilitate our unified management and monitoring of the operating data of our stores. For all other aspects of store operation management, franchisees should adhere to the relevant standards and provisions in our franchised store operating manual (“鍋圈食匯運營手冊”).

To supervise compliance, our specialized regional supervisors visit franchised stores for onsite inspection from time to time as well as supervise store operations through our video supervision system to remotely inspect different aspects of store operations online and evaluate their compliance and food safety standards on ad hoc basis. The inspections cover various aspects of the store operations, such as (i) the overall hygiene conditions of the store, (ii) in-store food processing, storage and display, and (iii) whether products are within their shelf life. If a franchised store is found to be non-compliant, our inspection personnel will report the incident to our regional management team and conduct follow-up supervision with the store, which may lead to the implementation of remedial actions and the imposition of penalties.

For more details, see "— Food Safety and Quality Control."

Comprehensive Training

We believe our management team, general employees, regional teams and our franchisees and franchised store employees together play crucially important roles in every aspect of our store operations. We have established our *Guoquan Academy* ("鍋圈學堂"), a systematic and comprehensive training system that provides customized multi-tiered online and offline training courses designed for different personnel, including headquarters office personnel, regional management employees, franchisees and franchised store staff. These training courses cover comprehensively all aspects of franchised store operations and management, progressing from basic trainings relating to our business philosophy, food safety and store operations, to increasingly advanced courses on marketing strategies, industry insights, multi-store management, and data analysis, among others. In particular, before the opening of any new franchised store, the franchisee, store manager and store employees must take our mandatory training courses and pass our evaluations. We also host a wide range of online courses and lectures on specific topics or themes. In addition, for franchised store managers hired by franchisees, we guide franchisees to establish incentive programs for their store managers and have also established our own multi-tiered training and qualification system for these store managers, according to the sales performance of each franchised store.

We have also established franchisee organizations and store manager organizations forming an effective training network where we select outstanding franchisees or store managers trained by us with excellent performance to share their experiences and demonstrate to other franchisees or store managers and employees. We also designate high-performing stores as model stores for other stores in the region to visit and learn from. This interactive training network enables the joint learning, improvement and communication among franchisees, store managers, and our own employees.

Our Support for Franchisees

We provide the following support for franchisees:

- regularly provide training and guidance to franchisees in relation to store operations and management;
- formulate and implement marketing campaigns to promote our brand;
- construct, manage, and optimize the store operating system and continuously upgrade our product portfolio to ensure the competitiveness of our business model;
- manage competition and prevent cannibalization between franchisees;

- provide guidance and recommendations on store design, product selection and positioning, promotional activities, and consumer analysis;

- provide IT support to franchisees including data analysis and digital tools.

Relationship with Franchisees

As of April 30, 2023, none of our franchisees were our current employees, and 55 or 0.9% of our franchisees were our former employees ("**Former Employee-Franchisees**") who were motivated to develop their personal career by partnering with us through franchise arrangements. We applied the same selection criteria and procedures when considering these Former Employee-Franchisees. The franchise agreements that we entered into with these Former Employee-Franchisees contained same terms and conditions that we offered to other third parties. We believe this was not uncommon for franchise business model. As of April 30, 2023, the number of stores being operated by the Former Employee-Franchisees was 75. In 2020, 2021, 2022 and the four months ended April 30, 2023, revenue contribution from our Former Employee-Franchisees was RMB7.1 million, RMB13.6 million, RMB44.6 million and RMB16.2 million, respectively. We had 15, 15, nil, and nil franchisees that were employees then ("**Then-Current Employee Franchisees**") as of December 31, 2020, 2021, 2022 and April 30, 2023, who remained as our employees when they opened and operated their stores. They operated 26, 22, nil, and nil franchised stores as of December 31, 2020, 2021, 2022 and April 30, 2023, respectively. The revenue contribution of Then-Current Employee Franchisees amounted to RMB25.0 million, RMB20.6 million, RMB12.3 million, and nil in 2020, 2021, 2022, and the four months ended April 30, 2023, respectively. In addition, during the Track Record Period, four, four, one, and one of our franchisees were connected persons of our Company ("**Connected Franchisees**") as of December 31, 2020, 2021, 2022, and April 30, 2023, respectively, who operated seven, eight, three, and three franchised stores as of the respective dates. The revenue contribution of the Connected Franchisees amounted to RMB7.8 million, RMB7.2 million, RMB7.0 million, and RMB0.66 million in 2020, 2021, 2022, and the four months ended April 30, 2023, respectively. The revenue contribution from our Former Employee-Franchisees, Then-Current Employee Franchisees and Connected Franchisees were immaterial, each accounting for less than 1% of our total revenue for each period during the Track Record Period.

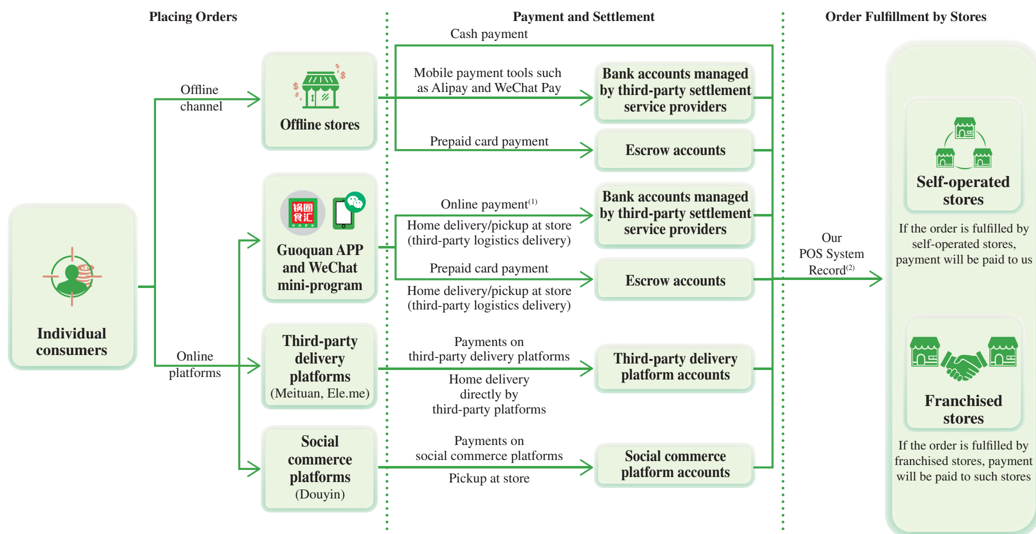
Self-operated Stores

As of April 30, 2023, we had six self-operated stores for the purpose of providing a model for franchised stores as well as acting as trial sites for innovative store operation and management strategies and tools, marketing activities, digital tools and new decoration styles, among others, before introducing them to our franchised stores.

For the four months ended April 30, 2023, the revenue of our self-operated stores was RMB3.0 million, accounting for 0.2% of our total revenue. It should be noted that the primary role of our self-operated stores during the Track Record Period was to serve as pilot programs for our franchised store operations.

OUR TRANSACTION FLOW

The following diagram illustrates the transaction flow of purchases by individual consumers through online platforms and offline stores:



Notes:

(1) We accept a variety of online payments, including payment through third-party online payment platforms, such as Alipay and WeChat Pay.

(2) To monitor the sales activities in the offline stores, we implement a store-level POS system which is linked to and monitored by our centralized management system. We require all transactions to be recorded in our store-level POS system, except certain transaction received through third-party delivery platforms and social commerce platforms.

Offline Channel

Our offline retail store network comprises franchised stores and self-operated stores, covering various geographic locations across China from municipalities to townships. See "— Our Sales Channels and Store Network — Offline Retail Store Network." Consumers can make purchases and pay in our offline stores by cash, prepaid cards and mobile payment tools. All sales transactions at an offline store are required to be recorded in our store-level POS system, including those settled by cash in store. All mobile payments made in store with WeChat Pay and Alipay will be directly paid to our designated bank accounts managed by third-party settlement service providers that are licensed entities, and such payments will be paid from our designated bank accounts to our franchisees under the current T+1 settlement arrangement. Our members may also pay using their prepaid card balance. For payments made by prepaid cards, see "— Marketing and Brand Building — Prepaid Cards Program."

Online Platforms

To empower franchisees and facilitate their sales growth as well as further our consumer reach and offer more flexible shopping experience, we have established multiple online platforms, including (i) partnering with third-party food delivery platforms such as Meituan and Ele.me, (ii) our Guoquan APP and WeChat mini-program, and (iii) Douyin. Sales derived from online orders via third-party food delivery platforms, our Guoquan APP, WeChat mini-program and Douyin are sales revenue of the relevant store which processes and performs the order. Our average daily online orders increased from 6,193 in 2020 to 68,831 in 2022, accounting for 21.5% of total orders across all channels. We plan to continue to upgrade our online platforms to complement our offline stores and utilize its expanded shelve capacity to continually expand the categories of our inventory to offer significant product combination potentials for consumers.

Guoquan APP and WeChat Mini-program

We operate our own online platforms including our WeChat mini-program and our Guoquan APP as flexible and convenient way for consumers to browse our products and place orders. Consumers may choose to pick up in person at a designated store nearby or request home delivery, fulfilled by third-party logistic service providers. Our Guoquan APP and mini-program automatically recommend the nearest store location for the consumer based on device location. Accordingly, most of these orders are fulfilled by the designated franchised stores in the consumer's selected location.

Consumers make online payments using a variety of methods, including through third-party online payment platforms such as WeChat Pay or Alipay. Such payments shall be directly paid to our designated bank accounts managed by third-party settlement service providers that are licensed entities. Orders received through our Guoquan APP and WeChat Mini-program are recorded in our store-level POS system. According to these records, the payment amount will be paid from our designated bank accounts to our franchisees under the T+1 settlement arrangement. Our members may also pay using their prepaid card balance. See "— Marketing and Brand Building — Prepaid Cards Program." Cash payment is not accepted for in-store pickup orders.

We plan to further develop these platforms to provide consumers with differentiated products and more targeted recommendations on product combinations to consumers according to their buying habits, thereby increasing consumer traffic. Costs incurred from offering discounts and other promotional activities on such platforms are borne either by the franchisee or by us depending on the nature of such promotional activities on a case by case basis.

Third-party Delivery Platforms

To empower our franchisees and facilitate their sales growth, we collaborate with third-party food delivery platforms to deliver our products to consumers. Consumers place orders for the specific store in their location on such platforms and these orders are fulfilled and delivered to consumer by the corresponding store, who receives the sales proceeds. Consumers make payments directly on the third-party delivery platforms, who directly settles with the franchisees for orders fulfilled by franchised stores. Consumers may not pay using prepaid cards on such platforms.

We communicate with and manage the relationship with these third-party food delivery platforms, and the stores that fulfill the orders are responsible for all associated fees such as platform service fees and directly pay such fees to these third-party platforms. Costs incurred from offering discounts and other promotional activities on such platforms are borne either by the franchisee or by us depending on the nature of such promotional activities on a case by case basis. Not all orders placed through third-party delivery platforms are recorded in our store-level POS system, as our franchisees may cooperate with third-party delivery platforms on their own and conduct certain sales in collaboration with such platforms.

Douyin as a Social Commerce Platform

We also collaborate with Douyin, a popular social commerce platform, to extend our online consumer reach by leveraging Douyin's e-commerce features and traffic. We commenced operation on the local lifestyle division of Douyin ("抖音生活服務") in March 2022, which adopts an online to offline business model. Consumers place orders by clicking the embedded links in live streaming or short promotional videos. They may select the preferred store for pick up and make payments on Douyin for the corresponding store that fulfills the order. Consumers may not pay by cash or prepaid cards for such orders. Not all orders placed through Douyin are recorded in our POS system, as our franchisees may cooperate with Douyin on their own and conduct certain sales in collaboration with Douyin.

Promotion on Douyin through live streaming or short promotional videos are conducted both by us and by our franchisees, and we provide franchisees with support and training resources to sell products through Douyin to capitalize on the potential of this sales channel. The platform service fees and costs incurred from product discounts are borne by the stores that fulfilled the orders. However, fees associated with paid advertisements for promotional content on Douyin are paid by us. In addition, we may engage marketing agencies that specialize in Douyin marketing. Depending on the nature of such engagements, the fees paid to these agencies are either based on a tiered pricing model contingent on the effectiveness of the service, which are borne by us, or fixed campaign fees, which are typically jointly borne by us and the franchisees. As of April 30, 2023, more than 8,000 of our stores were using this platform to sell products.

We are developing this sales channel and anticipating the continuous increase of our sales through this channel in the near future. We monitor live streaming content by conducting spot checks and enforcing strict guidelines for service providers and franchisees. If any violations of our guidelines are detected, we will take swift action, including terminating contracts or revoking the live streaming privileges of the responsible party. We have also established clear contractual obligations with service providers requiring them to take responsibility for such violations that arise in relation to live streaming content. During the Track Record Period and as of the Latest Practicable Date, we have not experienced any major live streaming issues or incidents.

Our Settlement with Franchisees

With regards to settlement with franchisees, we receive payments from franchisees both for products procured from us and fees paid to us in relation to the franchise agreement, including annual operational support service fees as well as security deposits. For product procurement, our franchisees usually pay us before we deliver the goods to them. The operational support service fees and security deposits are paid by the franchised stores to us when they are due.

Where consumers place their orders via our Guoquan APP and mini-program and such orders are fulfilled by a franchised store, payments shall be paid to our designated bank accounts managed by third-party settlement service providers that are licensed entities. The third-party settlement service providers currently arrange T+1 settlement of our payables to the relevant franchisee who fulfilled the order.

Settlement Arrangements for Prepaid Cards

When consumers purchase our prepaid cards or top up their rechargeable membership accounts, such amount is deposited into a designated escrow account which we maintain for our franchisees. The amount is recognized as receipt on behalf of franchisees for prepaid cards under other payables and accruals. See "Financial Information — Discussion of Key Items of Consolidated Statements of Financial Position — Other Payables and Accruals." When the prepaid amount is used to pay for purchases, our POS system will make real-time record for the purchase and payment amount.

We issue the prepaid cards and manage such prepaid amounts under the current settlement arrangements with our franchisees. We are able to monitor such top-ups by members and transfers to the escrow accounts on a daily basis. For orders fulfilled by franchised stores, we currently arrange T+1 settlement of payables to the relevant franchisee according to the records in our POS system. Remaining value in member's accounts represented the prepaid but not yet consumed amounts, which will never expire or be forfeited and is refundable upon application by consumers and our approval. We did not record any breakage revenue or forfeited income during the Track Record Period. We have completed the requisite filing procedure with respect to providing such prepaid account service with the relevant government authorities. See "Regulatory Overview — Regulations on Single-Purpose Commercial Prepaid Cards."

Our Customers

During the Track Record Period, a significant majority of our customers are our franchisees. Revenue from our five largest customers for the fiscal years ended December 31, 2020, 2021, and 2022 and the four months ended April 30, 2023 accounted for 2.3%, 1.9%, 4.0% and 4.2%, respectively, of our total revenue during the same periods. We have a large customer base and we do not rely on any single customer. We generally require our franchisees to pay in advance before we deliver the products to them. We provide certain enterprise customers with a credit term up to 180 days subject to the creditworthiness of the relevant customers.

To increase our control over our supply chain, secure raw materials for the food products production capabilities we gradually established and improve the quality of the food ingredients used to produce our products, we constantly seek procurement sources of quality raw material from domestic and overseas sources. Leveraging such procurement sources, in late 2021 we started to supply certain imported food ingredients, mainly including shrimp and beef, to our suppliers as well as certain food wholesalers, which contributed to the increase in the revenue from sales of other products from RMB494.7 million in 2021 to RMB992.5 million in 2022 and from RMB238.5 million for the four months ended April 30, 2022 to RMB263.0 million for the same period in 2023. For the food ingredients supplied by us, we typically granted credit periods to our suppliers and the food wholesalers according to their creditworthiness. As such transactions were generally in large amount, we experienced a change in top customer mix from individuals in 2020 and 2021 to enterprise customers in 2022. For example, during the Track Record Period, Supplier A provided shrimp paste to us. To strengthen our cooperation with Supplier A and maintain optimal food quality, we started to supply the imported shrimp that we procured to Supplier A in 2022, and Supplier A became one of our top five customers in the same year. See "— Production, Procurement and Suppliers — Our Suppliers — Major Suppliers." Going forward, we intend to continue to source food ingredients from domestic and overseas sources and supply them to food product producers that are in our supply chain to strengthen our cooperation with them, whereas gradually phasing out transactions with third parties that do not supply us food products. However, we expect the concentration on top customers to remain low, and to generate the vast majority of our revenue from individual customers.

In addition, we own three production facilities in Henan Province, including (i) a beef processing plant acquired in August 2021, which was subsequently relocated and upgraded to a new one on our own land; (ii) a meatball production plant acquired in August 2021; and (iii) a hotpot soup base production plant acquired in November 2022. The products from these facilities not only supply our franchised store network but also cater to some enterprise customers, including food wholesalers, restaurants and supermarkets. The purpose of this business is mainly to better utilize our production capabilities. As our main business continues to grow, we expect a higher proportion of our products to supply our franchised store network. Moreover, as we plan to manufacture an increasing variety of products ourselves, we will also be supplying these new product categories to our enterprise customers, and adjust our future sales volume to these customers according to market demands and our overall business strategy. We believe that this approach is critical to maintaining the balance between our key business areas and ensuring long-term, sustainable growth.

MARKETING AND BRAND BUILDING

Our vision is to become the go-to brand for dining at home in China. After years of efforts, our brand concepts of "tasty, convenient and affordable" have become deeply rooted in consumers' minds. Our marketing efforts seek to further build our brand equity and advocate for new kinds of dining scenarios and home meal products. Leveraging our profound understanding of consumer preference and profiles powered by our robust and extensive information system and market research, we are able to tailor our marketing efforts to specific regions and consumers, achieving widespread community penetration of our brand image. Our pervasive brand presence fuels the success of our business strategy surrounding the successful opening and operation of new stores as well as the continual improvement of the performance of our existing stores.

To strengthen brand awareness, we have launched various marketing initiatives, including the appointment of celebrity brand ambassador and featuring them in promotion materials, marketing through high-profile TV advertisement such as on CCTV, offline advertisement, and promotion on livestreams and short-form videos on Douyin by us and our franchisees. Our stores also hold online and in-store promotional events surrounding our "517" shopping day, food festivals, Chinese New Year, mid-autumn festival, and "11.11" shopping festival, etc. These promotional events include members-only lucky draws and special rewards redemptions to attract new members and engage existing members. We also give group buy discounts and special coupons on selected products that we want to specifically promote during these events and give out sales discount to stores with high sales rankings with respect to the specific products to be promoted as an incentive for more stores to participate and increase marketing efforts.

We consider a number of factors in selecting brand ambassadors. The celebrity's image should be relevant to our brands or products; and we conduct background search before engagement and opt for celebrities with a positive public image and reputation. We conduct evaluations on the effectiveness of our collaborations to decide whether to continue collaboration by assessing factors including increases in search volume and followers on our platforms as well as sales increases of our products.

Our Membership Program

To foster consumer loyalty, promote our brand and enhance consumer experience, we have launched our membership system. Our consumers can become members for free through our in-store POS system or online platforms such as WeChat mini program and third-party food delivery platforms. Our members are categorized into four tiers based on their accumulated spending. The program rewards members with points based on the amount they spend, which can be accumulated and used to redeem coupons for our products. As of April 30, 2023, the number of our registered members reached approximately 22.4 million. During the Track Record Period, the number of orders placed by our members increased from approximately 11.0 million in 2020 to approximately 23.7 million in 2021, and further to 33.9 million in 2022, representing cumulative sales value of approximately RMB1,130 million, RMB2,493 million and RMB3,773 million for the same periods, respectively. For the four months ended April 30, 2023, our members placed approximately 10.8 million orders, representing cumulative sales value of approximately RMB1,191 million. The average spending per order by our members during the Track Record Period ranged between RMB100 and RMB110. We have established a consolidated membership database for all online and offline consumers. This database is connected with all of our sales platforms including third-party food delivery platforms.

We consider the protection of the data privacy of our consumers to be of paramount importance and we have in place the policies, procedures, software and technology infrastructure to properly collect, use, store, retain and transmit our user data in compliance with applicable data protection laws and regulations. See "— Data Privacy and Security" for further details.

Prepaid Cards Program

To increase consumer stickiness, we provide prepaid cards to our members, which are virtual rechargeable prepaid cards in their membership accounts. Non-members may purchase physical cards of fixed value. Our members enjoy more features, such as opting cash rebate or other gifts for topping up their membership accounts. This incentivizes members to continue using the prepaid cards and encourages them to make repeat purchases. Our members may use the prepaid balance in the cards to pay online or offline for any products throughout our store network. Value stored in prepaid cards can be used in Guoquan APP, WeChat mini-program and our retail stores only, and not third-party delivery platforms and social commerce platforms. We believe this program helps to build customer loyalty and attract new consumers to join our membership program.

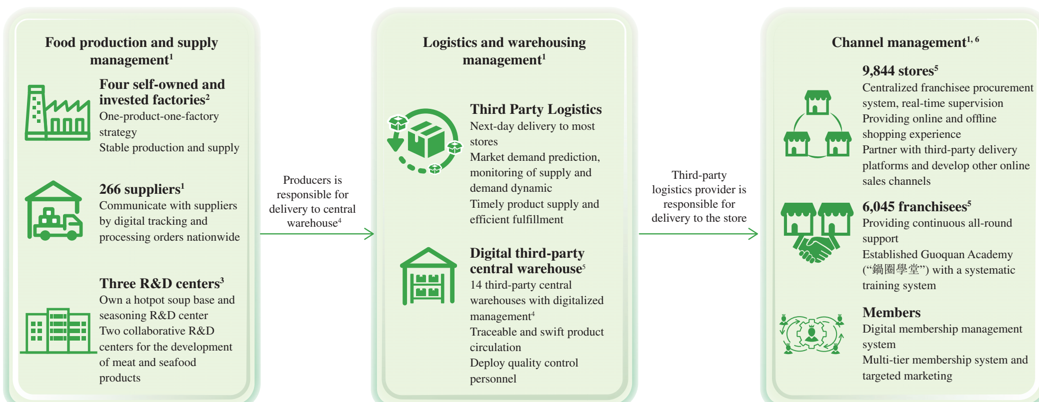
PRODUCTION, PROCUREMENT, AND SUPPLIERS

Overview

Adopting our one-product-one-factory model, we have strategically acquired food ingredient production capabilities to achieve stronger control over the production and supply of our staple products. As of April 30, 2023, we had three food ingredient production plants, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for production of our hotpot soup base products, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products, in order to have better control of the production and supply of our major products.

In addition, to maximize production efficiency and broaden our product portfolio, we also engage reliable suppliers to produce our other products. To ensure the food quality of these products, we procure raw materials from external suppliers and sell such ingredients to certain food product manufacturers that further process and produce shrimp paste, beef and lamb products. We subsequently purchase processed products from these manufacturers which became our suppliers. See "— Overlapping of Customers and Suppliers."

The following diagram illustrates our control of supply chain and the responsibilities of each parties involved:



Notes:

1. Responsible for food safety.

2. As of April 30, 2023, we had three production facilities, namely Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for production of our hotpot soup base products, and invested in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products.

3. As of April 30, 2023, we owned a hotpot soup base and seasoning R&D center in Luyi, Henan Province, and collaborated with our suppliers to leverage shared R&D resources and facilities, including two collaborative R&D centers in Shanghai and Beihai, Guangxi Province for the development of our meat and seafood products, respectively.

4. Our self-operated facilities and other suppliers are responsible for delivery of their respective products to the third-party central warehouse. Our self-operated facilities use third-party logistics providers to deliver the products.

5. As of April 30, 2023

6. See "— Our Sales Channels and Store Network."

Production

Production Facilities

We own three production facilities in Henan Province, including (i) Heyi Plant, a beef processing plant acquired in August 2021, which was subsequently relocated and upgraded to a new one on our own land, (ii) Wanlai Wanqu Plant, a meatball production plant acquired in August 2021, and (iii) Chengming Plant, a hotpot soup base production plant acquired in November 2022. Based on our management's estimate, our revenue derived from selling products processed or produced by our production facilities amounted to RMB144.8 million in 2021, RMB575.5 million in 2022 and RMB188.8 million in the four months ended April 30, 2023, accounting for 3.7%, 8.0% and 9.1% of our total revenue in the same periods, respectively. A significant portion of the beef products, meatballs and hotpot soup base we sold are supplied by these production facilities after the respective acquisitions. However, we continued to procure some of our SKUs from third-party suppliers throughout the Track Record Period.

Our beef processing plant has a GFA of approximately 54,000 sq.m., and produces our signature beef products under our hotpot ingredients series, including thinly sliced beef with tendon (筋頭巴腦雪花肥牛), thick sliced beef (源香厚切雪花肥牛) and thinly sliced Wagyu beef (和牛雪花肥牛). Our meatball production plant has a GFA of approximately 43,000 sq.m., and primarily produces meatballs, including beef balls (開花牛肉丸), juicy beef balls (撒尿牛肉丸), beef balls with tendon (牛筋丸), and beef balls with cilantro (香菜牛肉丸). Our hotpot soup base production plant has a GFA of approximately 50,000 sq.m., and produces hotpot soup base with different flavors, including tomato hotpot soup base (番茄火鍋底料), beef tallow hotpot soup base (牛油火鍋底料), and spicy hotpot soup base (清油火鍋底料).

The following table sets out our production capacity and utilization rate of our production facilities for the periods indicated:

	Year ended December 31,						Four Months ended April 30,		
	2021			2022			2023		
	Designed Capacity(1)	Actual Production	Utilization Rate (%)(2)	Designed Capacity(1)	Actual Production	Utilization Rate (%)(2)	Designed Capacity(1)	Actual Production	Utilization Rate (%)(2)
	(Tons, except percentage)								
Beef processing plant(3)	4,050	1,847	45.6%	15,000	8,475	56.5%	5,000	1,394	27.9%
Meatball production plant	625(4)	149	23.8%	7,500	4,792	63.9%	2,500	934	37.4%
Hotpot soup base production plant	—	—	—	2,234(5)	1,621	72.6%	8,935	2,599	29.1%
Total	**4,675**	**1,996**	**42.7%**	**24,734**	**14,888**	**60.2%**	**16,435**	**4,927**	**30.0%**

Notes:

(1) Designed capacity is calculated based on length of operation of the specific plant for the relevant year, assuming single shifts for 10 hours/day. Our beef processing plant and meatball production plant were assumed to have operated for 300 days in 2022.

(2) The utilization rate is calculated by dividing the actual production volume by the designed capacity during the same period.

(3) Our beef processing plant that was acquired in August 2021 and commenced production in September 2021. As a result, the designed capacity in 2021 only assumed four months operation. Such plant was subsequently relocated and upgraded to a new one which also has an annual designed capacity of 15,000 tons.

(4) Our meatball production plant commenced production in December 2021. As a result, the designed capacity in 2021 only assumed one month operation.

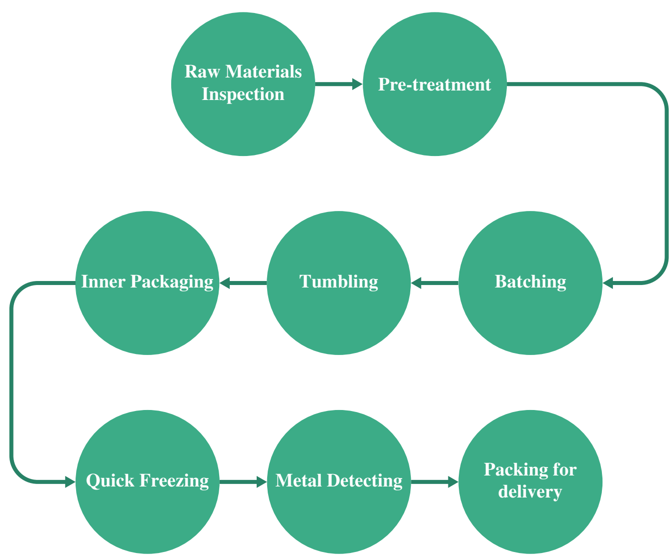
(5) We acquired the hotpot soup base production plant in November 2022 and started to incorporate its production capabilities in December 2022. As a result, the designed capacity in 2022 only assumed one month operation.

The main factors affecting our utilization rates are (i) lower utilization of our production facilities during their production ramp up periods and (ii) effects of seasonality affecting demand for our products. For example, our meatball production plant did not commence production until December, 2021, thus the utilization rate was relatively low in 2021. The design of our production plants takes into account the substantial increase in product demand during peak season, and therefore resulting in a lower overall average capacity utilization rate of the relevant production lines.

Production Process

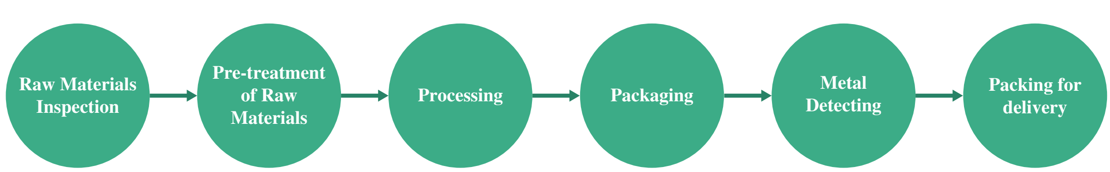
The following charts illustrate the typical production process of the key production lines:

Process for Beef Processing



- Raw materials inspection: inspect raw materials upon receipt according to relevant standards
- Pre-treatment of raw materials: defrost, slice, and trim the beef
- Batching: batch the beef with other ingredients according to formula
- Tumbling: add the beef into the vacuum meat tumbling machine
- Inner packaging: pack the beef with inner package
- Quick freezing: freeze the packed beef products for at least eight hours
- Metal detecting: inspect the packed products with metal detecting machine to prevent metal contamination
- Packing for delivery: pack finished products into boxes

Process for Meatball Production



- Raw materials inspection: inspect raw materials upon receipt according to relevant standards
- Pre-treatment of raw materials: inspect the raw materials according to relevant standards; defrost and slice or mince the raw materials
- Processing: including stirring, flavoring, molding, maturing, cooling and quick freezing
- Packaging: pack the meatballs with inner package
- Metal detecting: inspect the meatballs with metal detecting machine to prevent metal contamination
- Packing for delivery: pack finished products into boxes

Process for Hotpot Soup Base Production

- Raw materials inspection: inspect raw materials upon receipt according to relevant standards
- Batching: batch the raw materials according to the formula
- Mixing: mix the batched raw materials
- Packaging: pack the blended materials with inner package
- Metal detecting: inspect the packed materials with metal detecting machine to prevent metal contamination
- Sterilizing: sterilize the product
- Packing for delivery: pack the sterilized product with cardboard boxes

Research and Development

We believe that product R&D is crucial to our success and growth. We expand and upgrade our product portfolio frequently to meet evolving trends and consumer demands. We launched 66, 185, 173 and 45 new SKUs in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We own a hotpot soup base and seasoning R&D center and work with suppliers to leverage shared R&D resources and facilities, including two collaborative R&D centers for the development of our meat and seafood products. As of April 30, 2023, 67% of our nationally available SKUs are self-developed or collaboratively developed. For example, we successfully developed our thick sliced marbled beef, thinly sliced beef with tendon, signature shrimp paste, white beef tripe, fish maw chicken soup base and pepper pork tripe chicken soup base, among others.

Our technology capabilities play an important role in our product development process. Leveraging our in-depth knowledge in food safety, cooking and industrial product development, we have developed various technologies to facilitate our production. Our major technologies include vacuum tumbling method and quick-freezing method, which allow us to preserve the moisture, fresh flavors and authentic taste of the foods. We apply quick-freezing method, vacuum tumbling method, moisture preserving method and seasoning method to produce most of our major products, including beef, lamb and pre-seasoned meats.

We have a product development team consisting of experienced personnel who hold professional degrees in the food industry, including professional chefs with over 20 years of experience. Our strong R&D and technology capabilities allow us to transform tasty food ingredients curated by our chefs into high-quality final products, while ensuring the standardization of quality and taste across all our products. We have been increasing our R&D efforts. We recorded R&D costs of RMB0.2 million, RMB3.5 million, RMB10.0 million and RMB2.5 million in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

Our Product Development Process

Benefiting from the cumulative years of operations in the food industry, we enjoy the advantage of in-depth knowledge of consumer demands, which propels our product development to follow market trends and reflect consumer preferences. For our pipeline product development, we conduct market research covering parties across the value chain, including restaurants, hotpot restaurants, supermarkets, and food distribution markets. We then select and develop the potential pipeline products whose raw materials enjoy advantages in terms of supply and cost, forming a pipeline product pool.

In addition, we continually conduct surveys and collect feedback from our members, consumers and franchisees to improve and upgrade our products. We regularly conduct consumer surveys with respect to product preference and level of satisfaction with the taste of our products. Our sales and marketing team regularly interview our franchisees to evaluate the packaging and quality of our products. Our operations team and regional management teams regularly collect feedback from franchisees about product suggestions, regional preferences, niche product demands, pricing considerations, among others, which will be reported to our product development team for evaluation and planning.

Procurement

We procure processed and unprocessed food ingredients including beef, lamb, shrimp, pork for production and processing at our production plants, or to be sold directly to franchisees. Since the acquisition of the three food ingredient production plants, we began procuring raw materials for the self-production of various products. For instance, we purchased slaughtered cattle and used certain parts to produce beef products in the Heyi Plant. As certain unused processed beef parts are no longer used in our own production, we would sell such parts to meat processors or food wholesalers at the prevailing market price at the relevant time. In addition, as we procure a large volume of raw materials as a group and able to negotiate for favorable pricing and quality assurance, we also procure additional amount of food ingredients, such as beef and lamb, from external suppliers of raw ingredients, and sold a portion of these raw materials to our suppliers of finished products. This arrangement allows us to ensure a stable supply and food quality of our finished products. As such, some of our suppliers were also our customers purchasing food ingredients from us. See "— Overlapping of Customers and Suppliers."

We also procure non-food materials such as packaging materials, appliances and consumables. We procure substantially all of our raw materials from within China. We procure from various suppliers, with whom we typically enter into framework supply agreements with. We generally place procurement orders two or three times a month, according to the estimated volume.

Procurement Cost Control

We implement certain measures to control our purchase cost: (i) integrating multi-channel supply resources including domestic and global markets to reduce costs and (ii) entering into agreement with certain suppliers to secure sufficient supplies at agreed price or agreed price range. In addition, we stipulate in our agreements with suppliers that they cannot charge us more than the amount they charge their other customers and require supplies to not increase their prices within six months of entering into agreement. Our large procurement scale and strong brand images have helped to strengthen our bargaining power so as to effectively control our procurement cost.

Anti-kickback Measures

An effective set of anti-kickback policies and procedures is critical to ensure the integrity of our quality control, supply chain management and the control of our costs. We set out anti-kickback measures in the procurement contracts we enter into with our suppliers. In particular, we strictly prohibit receipt of gifts, discounts, kickbacks and additional benefits, including but not limited to traveling and other marketing entertainments, either directly or indirectly.

We also developed a whistle-blower program where we encourage our employees to report instances of bribery directly to the internal audit department. We also encourage our suppliers to report to us any kickbacks by providing a compliant mailbox for them.

Our Suppliers

We procure most of our food ingredients from within China. We believe that our stable relationship with suppliers builds a strong foundation for our robust supply chain and high-quality products. As of April 30, 2023, we were in collaboration with 266 food ingredients suppliers, including renowned and household brand names such as Anjoy and Sanquan, where we procure customized products from these suppliers. During the Track Record Period, we did not encounter delay or shortage in the supply of food ingredients that materially interrupted our business operations.

Supplier Selection and Management

We carefully select our suppliers. Potential suppliers must pass comprehensive evaluations by our procurement, quality control and product R&D departments before being placed on our qualified suppliers list. To qualify, suppliers must satisfy a series of conditions, including having a good public reputation, all necessary documentations, and have not received material sanctions or negative publicity in relation to food safety issues in the past year. We also require that the supplier has implemented a sound management and quality control system and internal structure with sufficient and stable production capabilities and equipment. We also request suppliers to deliver sample products for taste and quality inspection before procuring from them. We also consider various ESG related matters when choosing suppliers. In consideration of social responsibility with regards to food health and safety, we look for suppliers that have strong food safety management systems, adhere to high operating and hygiene standards, have effective pest control measures in place, and have rigorous supplier management and raw material acceptance procedures. We consider the supplier’s management of non-conforming products, product labeling compliance, and product traceability. We also take into account environmental issues when assessing suppliers' management of warehouse facilities and production processes.

In addition to vetting new suppliers, we also regularly evaluate existing ones. For our major suppliers or during peak seasons, we usually deploy staff from our quality control department to supervise on site at our suppliers' factories.

We will terminate our relationship with suppliers who do not meet our assessment standards or trigger a disqualifying event such as violating national laws and regulations, having food safety related crisis, engaging in fraudulent or dishonest practices during the production process or during our engagements, including corruptive practices such as bribing our employees.

Key Terms of Our Supply Agreements

Our framework agreements with our suppliers typically include the following salient terms:

- *Product specifications*. Our agreement will set forth the specific requirements that we have with respect to a particular SKU, including with respect to product quality and safety.

- *Term*. Usually one year.

- *Price*. Our suppliers promise to offer us their lowest price and to not raise their prices within the first six months of entering into agreement.

- *Inspection and acceptance*. The products are subject to our inspection upon arrival at our designated place, and we may refuse acceptance of any defective products or products that do not meet our specifications. In such cases, we are entitled to a prompt replacement or refund with associated costs borne by the suppliers.

- *Liabilities.* Our suppliers shall inform us of any product quality issues timely and accept our mitigating measures, including but not limited to suspension of delivery, product return and recall, and take full responsibility for such incidents. We reserve the right to resolve any consumer complaints or public relations issues resulting from product quality issues, and suppliers shall take full responsibility and bear all associated costs and losses.

- *Delivery*. The suppliers are required to deliver the products to our designated place pursuant to the supply agreement and shall bear any related logistics costs.

- *Payment*. We are generally granted a credit term within one month.

Major Suppliers

Our suppliers mainly include suppliers for food products, raw materials and warehousing and logistic services. Purchases from our largest supplier in each year during the Track Record Period amounted to RMB206.7 million, RMB286.7 million, RMB445.3 million and RMB103.5 million, accounting for 6.4%, 7.8%, 7.0% and 8.6%, respectively, of our total purchase amount during the respective period. Purchases from our five largest suppliers for the years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023 accounted for 24.6%, 24.5%, 23.3% and 26.1%, respectively, of our total purchase amount during those periods.

The table below sets forth the details of our top five largest suppliers during the Track Record Period:

		Year ended December 31, 2020			
No.	**Suppliers**	**Background**	**Purchase amount**	**% of our total purchase**	**Year of commencement of business relationship with us**
			(RMB'000)		
1.	Supplier A[(1)]	Supplier A primarily engages in the business of sales of fish balls, deep processing of seafood (including processed shrimp food), fast food prepared food and snacks.	206,736	6.4	2018
2.	Luyi Chengming	Luyi Chengming, which became our subsidiary in 2022, primarily engages in the business of sales of food flavoring, fast food and prepared food. See "History, Development and Corporate Structure — Establishment and Development of Our Company."	182,730	5.7	2019
3.	Supplier B	Supplier B primarily engages in the business of providing cold storage, transportation and other related supply chain management services.	171,119	5.3	2019
4.	Supplier C	Supplier C primarily engages in the business of sales of frozen beef and lamb meat.	149,118	4.7	2019
5.	Supplier D	Supplier D primarily engages in the business of wholesale and retail of edible agricultural products as well as sales of frozen beef and lamb meat.	79,102	2.5	2018
	Total		**788,805**	**24.6**	

			Year ended December 31, 2021		
No.	**Suppliers**	**Background**	**Purchase amount**	**% of our total purchase**	**Year of commencement of business relationship with us**
			(RMB'000)		
1.	Supplier A[(1)]	Supplier A primarily engages in the business of sales of fish balls, deep processing of seafood (including processed shrimp food), fast food prepared food and snacks.	286,668	7.8	2018
2.	Luyi Chengming	Luyi Chengming, which became our subsidiary in 2022, primarily engages in the business of sales of food flavoring, fast food and prepared food. See "History, Development and Corporate Structure — Establishment and Development of Our Company."	217,358	5.9	2019
3.	Supplier B	Supplier B primarily engages in the business of providing cold storage, transportation and other related supply chain management services.	198,496	5.4	2019
4.	Supplier E	Supplier E primarily engages in the business of sales of frozen lamb meat and other meat.	110,305	3.0	2020
5.	Shanghai Shengxian Food Co., Ltd. (上海盛鮮食品有限公司) ("**Shanghai Shengxian**")	Shanghai Shengxian primarily engages in the business of production and wholesale of seafood and meat products, including beef and lamb products.	87,248	2.4	2020
	Total		**900,075**	**24.5**	

Year ended December 31, 2022					
No.	Suppliers	Background	Purchase amount	% of our total purchase	Year of commencement of business relationship with us
			(RMB'000)		
1.	Supplier A[(1)]	Supplier A primarily engages in the business of sales of fish balls, deep processing of seafood (including processed shrimp food), fast food, prepared food and snacks.	445,291	7.0	2018
2.	Supplier B	Supplier B primarily engages in the business of providing cold storage, transportation and other related supply chain management services.	339,063	5.3	2019
3.	Luyi Chengming	Luyi Chengming, which became our subsidiary in 2022, primarily engages in the business of sales of food flavoring, fast food and prepared food. See "History, Development and Corporate Structure — Establishment and Development of Our Company."	252,631	4.0	2019
4.	Supplier E	Supplier E primarily engages in the business of sales of frozen lamb meat and other meat.	251,891	4.0	2020
5.	Supplier F	Supplier F primarily engages in the business of sales of frozen processed beef and lamb meat and other viscera food.	191,557	3.0	2020
	Total		**1,480,433**	**23.3**	

			Four Months ended April 30, 2023		
No.	Suppliers	Background	Purchase amount	% of our total purchase	Year of commencement of business relationship with us
			(RMB'000)		
1.	Supplier B	Supplier B primarily engages in the business of providing cold storage, transportation and other related supply chain management services.	103,500	8.6	2019
2.	Supplier D	Supplier D primarily engages in the business of wholesale and retail sales of edible agricultural products as well as sales of frozen beef and lamb meat.	65,677	5.5	2018
3.	Supplier G	Supplier G primarily engages in the business of sales of frozen beef and lamb meat.	60,022	5.0	2022
4.	Supplier A(1)	Supplier A primarily engages in the business of sales of fish balls, deep processing of seafood (including processed shrimp food), fast food, prepared food and snacks.	43,207	3.6	2018
5.	Supplier F	Supplier F primarily engages in the business of sales of frozen processed beef and lamb meat and other viscera food.	40,946	3.4	2020
	Total		**313,352**	**26.1**	

Note:

(1) Supplier A comprises Daixiaji and a food production company.

Prior to the acquisition of our self-operated production facilities, we primarily procured beef from Luyi Heyi and other beef suppliers, meatballs from Sanquan, and hotpot soup base from Luyi Chengming. We subsequently acquired Luyi Heyi and Luyi Chengming in August 2021 and November 2022, respectively. Ms. Yang Tongyu (楊童雨) was one of the shareholders of Luyi Chengming, before the acquisition, and is the daughter of Mr. Yang.

We select our suppliers carefully with comprehensive evaluations conducted by our procurement, quality control and product R&D departments. Given the relatively limited operation history, we had a store network with over 500 stores in January 2019. Starting from 2019, we accelerated the expansion of our business scale in home meal products, which requires bulk procurement of quality food ingredients and products. To achieve economies of scale and operational efficiency, we chose to increase the procurement from existing established suppliers with stable supply of food ingredients and products in quantity and quality that satisfy our requirements. Notwithstanding the relatively limited history of cooperation with us, some of the suppliers became the top five largest suppliers during the Track Record Period shortly after we commenced business relationships with them, primarily due to their capability in stable supply and satisfactory quality control.

The change in supplier mix during the Track Record Period was primarily due to the acquisition of production facilities. To further cement our control over supply chain and enhance the vertical integration of upstream supply chain, we acquired (i) the beef processing plant (i.e. Heyi Plant) in August 2021, which was subsequently relocated and upgraded to a new one on our own land, (ii) the meatball production plant (i.e. Wanlai Wanqu Plant) in August 2021, and (iii) the hotpot soup base production plant (i.e. Chengming Plant) in November 2022. With the production capacities of these plants being incorporated into our supply chain, Supplier C and Supplier D, which mainly supplied beef products to us, ceased to be among our top five suppliers in 2021, as our procurement from these two suppliers as a percentage of our total procurement reduced. In addition, we increased our procurement of lamb products from Supplier E and Supplier F, which became one of our top five suppliers in 2021 and 2022, respectively.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, several of our top five suppliers were also our customers purchasing food products from us. Our purchase amounts attributable to these customer-suppliers accounted for 8.2%, 11.6%, 13.1% and 12.5% of our total purchase amount in 2020, 2021, 2022 and the four months ended April 30, 2023. Our sales amount attributable to these customer-suppliers accounted for nil, 0.5%, 1.3% and 3.6% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023.

Supplier A, one of our five largest suppliers in 2021 and 2022, was also one of our five largest customers in 2022. Supplier A contributed to nil, nil, 0.8% and 1.8% of our revenue in 2020, 2021, 2022, and the four months ended April 30, 2023 respectively, and 6.4%, 7.8%, 7.0% and 3.6% of our total purchase amount in the same periods, respectively. The volume of raw materials that Supplier A purchased from us amounted to nil, nil, 1,010 tons and 517 tons in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively; the volume of products that we procured from Supplier A amounted to 5,018 tons, 6,264 tons, 8,766 tons and 890 tons in the same periods, respectively. Supplier A is a group of food production companies in China, which mainly engages in the business of sales of fish balls and deep processing of seafood (including processed shrimp food). As we procure a large volume of raw materials as a group and are able to negotiate for favorable pricing and quality assurance, we also procure shrimps from external suppliers and sold such shrimp to Supplier A to produce processed shrimp products. As such, we are one of the suppliers of shrimp to Supplier A. Separately, we procured shrimp paste products from Supplier A. This arrangement with Supplier A was not a bundled or back-to-back trading arrangement, but allows us to ensure a stable supply of our shrimp paste products and food quality. See "— Our Transaction Flow — Our Customers."

Supplier F, one of our five largest suppliers in 2022 and the four months ended April 30, 2023, was also one of our five largest customers in the four months ended April 30, 2023. Supplier F contributed to nil, nil, nil, and 1.0% of our revenue during the Track Record Period, respectively, and 1.5%, 0.9%, 3.0%, 3.4% of our total purchase amount in the same period, respectively. The volume of raw materials that supplier F purchased from us amounted to nil, nil, nil and 500 tons in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively; the volume of products that we procured from supplier F amounted to 968 tons, 634 tons, 3,626 tons and 771 tons in the same periods, respectively. Supplier F is a wholesaler of frozen processed beef and lamb meat and other viscera food. As we procure a large volume of raw materials as a group and are able to negotiate for favorable pricing and quality assurance, we also procure lamb meat from external suppliers and sold a portion of these lamb meat to Supplier F to produce processed lamb products. As such, we are one of the suppliers of lamb meat to Supplier F. Separately, we procured processed lamb products from Supplier F. This arrangement with Supplier F was not a bundled or back-to-back trading arrangement, but allows us to ensure a stable supply of our lamb products and food quality.

Shanghai Shengxian, one of our five largest suppliers in the four months ended April 30, 2023, was also one of our five largest customers in 2022. Shanghai Shengxian contributed to nil, 0.2%, 0.5% and 0.3% of our total revenue during the Track Record Period, respectively, and 0.2%, 2.4%, 1.8%, 2.7% of our total purchase amount in the same periods, respectively. The volume of raw materials that Shanghai Shengxian purchased from us amounted to nil, 148 tons, 786 tons and 101 tons in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively; the volume of products that we procured from Shanghai Shengxian amounted to 155 tons, 1,993 tons, 2,113 tons and 583 tons in the same periods, respectively. Shanghai Shengxian is a food production company which engages in the production and sales of seafood and meat products including beef and lamb products. We procured and processed raw materials such as beef at group level for our main business and sold a portion of unused processed beef parts to Shanghai Shengxian. Separately, we procured processed beef products from Shanghai Shengxian. See "Connected Transactions — Our Connected Transactions — (B) Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review and Announcement Requirements)."

There is no entity that was both our customer and our supplier in 2020. To increase its control over supply chain, secure raw materials for the food products production capability we gradually established and improve the quality of the food ingredients used to produce our products, we constantly seek procurement sources of quality raw material from domestic and overseas sources. Leveraging such procurement sources, in late 2021 we started to supply certain imported and domestic food ingredients, mainly including shrimp and beef, to our suppliers as well as certain food wholesalers. These efforts to enhance our supply chain capability results in overlapping customer suppliers. To a lesser extent, 38 suppliers purchased certain home meal products from us primarily for their own consumption during the Track Record Period, such as employee benefits and team building meals, including beef balls, crawfish products and soup base products. Such purchases did not exceed RMB50,000 for each year/period on an individual basis and the aggregate amount of sales of this nature amounted to nil, RMB4.0 thousand, RMB0.1 million and RMB0.3 million in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. Therefore, the primary roles of overlapping customer-suppliers are our suppliers. In addition, there were 17 overlapping customer-suppliers during the Track Record Period, whose purchase amounts exceeded RMB50,000 on an individual basis for each year/period of the Track Record Period, and our sales to these overlapping customer-suppliers of the respective period amounted to nil, RMB26.2 million, RMB118.0 million and RMB88.2 million in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

Our aggregate sales to overlapping customer-suppliers of the respective period amounted to nil, RMB26.2 million, RMB118.1 million and RMB88.5 million in 2020, 2021, 2022 and the four months ended April 30, 2023, accounting for nil, 0.7%, 1.6% and 4.3% of our total sales in the same periods, respectively. Such sales were insignificant during the Track Record Period. Our aggregate purchases from overlapping customer-suppliers of the respective period amounted to nil, RMB147.0 million, RMB1,079.3 million and RMB293.6 million in 2020, 2021, 2022 and the four months ended April 30, 2023, accounting for nil, 4.0%, 17.0% and 24.4% of our total procurement in the same periods, respectively.

Negotiations of the terms of our sales to and purchases from these overlapping customer-suppliers/supplier-customer were conducted on an individual basis, and the sales and purchases were not inter-conditional with each other. During the Track Record Period, there was no bundled or back-to-back trading arrangement where a batch of food products was divided into smaller batches and re-sold to the same overlapping customer/supplier. For each of the overlapping customer-suppliers/supplier-customer, the key terms of our sales of products to such customers and our purchases of products from such suppliers are generally similar to those of our other customers/suppliers. Our Directors are of the view that these arrangements are within our ordinary course of business and under normal commercial terms.

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders (who owned or to the knowledge of our Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

WAREHOUSING AND LOGISTICS

Our suppliers are responsible for delivering ingredients and other materials to third-party central warehouses provided by third-party warehousing and logistics providers engaged by us. Upon delivery of the ingredients, the third-party warehousing and logistics providers will provide storage facilities at appropriate temperatures and other storage conditions by following our standards. We set stringent requirements for the storage of ingredients and supplies at third-party warehouses, including with respect to product unloading, recording, shelving, labeling and sanitary and hygiene requirements for the third-party warehouse and its employees, among others.

Generally, the third-party warehousing and logistics providers are also responsible for delivering the ingredients and supplies from the third-party warehouses to our stores. We implement stringent safety policies and requirements during the transportation of these ingredients and other supplies to ensure timely delivery and maintain the quality and freshness of our products. These third-party warehousing and logistics providers have compatible information systems with us, allowing us to digitally monitor and trace our products upon the receipt of products by the third-party warehouses all the way till reaching our stores. This digital integration realizes the efficient management and monitoring of inventory and speedy and precise delivery to our stores, achieving next-day delivery to our major stores across the country.

Our agreements with third-party warehousing and logistics providers typically include the following salient terms:

- *Receipt of products*. We require the third-party warehousing and logistics providers to provide appropriate warehouses that satisfy our specifications.

- *Storage of products*. The third-party warehousing and logistics providers are responsible for the storage of products, in respect of the quantity, appearance and quality of the products. We have the right to inspect the products at any time.

- *Delivery*. The third-party warehousing and logistics providers must arrange delivery according to our requirements, with respect to the required vehicle, time, destination, and recipient, and shall bear the risk of damage to the products during the course of delivery.

- *Term*. Usually one year.

- *Payment*. We generally settle payments with our third party warehousing and logistics providers three times a month.

OUR DIGITALIZATION

Information technology has fueled our robust operation and rapid expansion. We have digitalized our core operations, implementing digital supply chain and operation systems to maximize efficiency and carry out quality control from plant to shelf.

Digitalized Consumer Engagement and Marketing Tools

We have established an omni-channel digital sales and marketing network comprising our membership system, social media platforms and third-party food delivery platforms. Our membership system connects our physical stores and our online platforms as well as third-party food delivery platforms, integrating online and offline consumer engagement to attract and retain a large number of loyal consumers. We also empower and guide our franchisees and store managers to engage in interactive marketing and member events on social media platforms, such as through livestreaming and short-form videos on Douyin.

Moreover, through our digitalized membership system, we are able to analyze the consumption behaviors of our consumers and categorize them accordingly to further optimize our product offerings and services. We are able to provide differentiated products and services to consumers through our multi-tier membership management. As we have the record of orders placed by our members, we are able to better understand their preferences and precisely recommend and promote targeted products according to our predictions of their demands. See "— Data Privacy and Security" for how we protect consumer data.

Our average daily online orders increased from 6,193 in 2020 to 68,831 in 2022.

Digitalized Store Operations and Management

We empower our franchisees through our digitalized store operation and management tools, facilitate them in their store operations. In 2019, we launched our centralized franchisee procurement system, enabling convenient order placement by franchisees, followed by efficient delivery of goods to stores. This facilitate our inventory management, which streamlines our customer service process and achieve higher operational efficiency. We aim to digitalize the operation and management of our stores. Furthermore, our digital management of store data facilitates our network expansion. Key data involved in the process of store opening including site selection, contract signing, store information and qualification management are all completed and stored online. We also have video supervision systems installed in most stores to enable real-time visual monitoring of store operations. Such features significantly streamlines the processes and reduces the labor involved in the management of franchised stores by our staff members, from store opening, product procurement, to monitoring store operations. As a result, each staff of our store operations team is able to manage more stores. Since the launch of our digital system, the average number of stores managed by each staff of our store operations team increased from 3.2 as of December 31, 2020 to 12.8 as of April 30, 2023.

Moreover, all of our stores use the cloud-based POS system monitored by our headquarters, which is designed to improve operating efficiency, provide standardized and centralized control over product offerings and pricing, such as to detect deviation from our retail prices or sales of franchisee self-procured products outside the allowed range.

Digitalized Supply Chain Management and Inventory Control

The digitalization of our supply chain comprising production, procurement, warehousing, and logistics allows us to exercise monitoring of the supply and demand dynamics from procurement-end to store-end and closely monitor our inventory level, enabling highly efficient management of our entire supply chain.

Leveraging our grasp of the massive amount of operating and sales data enabled by our extensive IT system underlying our entire business and digital data analysis capabilities, we are able to analyze and predict franchisees' preferences and demands, and communicate to our supply chain to timely adjust procurement plans and product development. For example, we usually increase procurement at the end of the year in preparation of peak season. Accordingly, we are able to achieve targeted delivery of products to third-party warehouses in different regions, facilitating stable, precise and efficient store sales.

Moreover, as of April 30, 2023, we leverage 14 digitalized third-party central warehouses across China in cooperation with third-party warehousing and logistics providers, achieving swift circulation of products through digital stock and bar code management. As a result of our real-time monitoring of product circulation, as well as efficient and accurate delivery of products to stores directly, we are able to realize next-day delivery to most of our stores across the country.

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality control are of paramount importance to our business. We are committed to bringing safe, high quality food ingredients to consumers. To this end, we implement stringent food safety and quality control standards and measures throughout all aspects of our operations, including (i) procurement and supplier, (ii) production, (iii) logistics and storage, and (iv) store operation.

We oversee food safety at our senior management level, with a food safety coordination office responsible for interpreting national food safety laws, direct communication with relevant government authorities and our regional management teams. Under such management structure, we have specialized regional supervisors in charge of food safety, mainly responsible for conducting inspection and offering training to franchised stores over food safety issues. We conduct random store inspections and impose penalties on franchised stores with food safety issues. Our quality control department is responsible for reviewing the background and inspecting the production process of suppliers.

Consumer satisfaction with our products is vital to the success of our business. Although we have separate contractual rights and obligations between us and our franchisees, we strive to ensure that end-consumers consistently receive the same standard of quality of products at all stores in our network. To this end, we have a department in charge of monitoring consumer feedback, suggestions and complaints. We have set up hotlines for consumers to report any concerns or complaints and have an internal team specifically devoted to resolve all issues from end-consumers at our headquarters level.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any major food safety incidents, material product recalls, returns, product liability claims or customer complaints.

Procurement and Supplier Quality Control

Before we engage a supplier, they must pass our stringent selection procedures, which include background and qualification checks and sample product testing. In addition, we regularly evaluate our suppliers by conducting periodic inspections, assessments and on-site visits. If a supplier fails to meet our requirements and is unable to rectify their faults, we terminate our engagement with them. To ensure food safety of food ingredients, we inspect food ingredients that we receive from our suppliers to ensure their quality and safety. We have implemented thorough inspection procedures for incoming food ingredients that covers vehicle hygiene, inventory records, relevant product certifications, temperature, labeling, appearance, packaging, and other quality indicators. If the ingredients fail to meet our requirements, we return them to the suppliers. Our stringent evaluation of our suppliers, as well as the ingredients we receive from them, help ensure that the ingredients we procure meet our quality control standards. For more information about how we manage our suppliers, see "— Production, Procurement, and Suppliers — Our Suppliers — Supplier Selection and Management."

If we or regulatory authorities identify product quality concerns that may be attributed to the supplier or production facility, we typically require them to promptly provide relevant product certification and source verification within 24 hours of receiving notice and cooperate with any investigations by regulatory authorities. If found liable, the supplier or production facility will bear administrative penalties and compensate us for related costs and damages. On the other hand, if suppliers or production facilities discover any quality issue of their products supplied to us, they shall notify us promptly and execute remedial actions proposed by us at their own cost, which may include product recall, suspension of delivery and product return. The supplier or production facility is also liable for all losses related to any consumer complaint or negative publicity arising from such issues and the costs of any remedial actions taken by us.

Logistics and Storage Quality Control

We cooperate with third-party warehousing and logistics service providers to store and deliver our products. We have formulated our own technical protocols concerning factors such as temperature, humidity, and hygiene. Apart from requiring the warehousing and logistic service providers to follow our technical protocols, we also deploy personnel from our quality control department to the third-party warehousing and logistics service providers to supervise and monitor each consignment received by these third-party warehouses and the temperature and storage conditions of the third-party warehouses. Upon arrival of each consignment of products, we will send samples to third-party inspection companies to inspect the quality of such products before they are put on sale.

During the storage of our products, the third-party warehousing and logistic service provider is fully responsible for the quantity, quality and packing appearance of the products stored. Except for preexisting defects that have been inspected and confirmed by us upon acceptance of the goods by the third-party warehouse, such third-party warehousing and logistic service provider must compensate us for any damages and actual losses incurred.

During the transport of our products from third-party warehouses to our stores, we require the third-party providers to properly equip cold chain vehicles with temperature controllers. We have implemented a real-time supervising system which receives the real-time temperature and location of each cold chain vehicle on route. Through our technical protocols, field presence at third-party warehouses and real-time supervising system, we ensure the third-party warehousing and logistic service providers fulfill their obligations and adhere to our standards. The risk of damage to the products is borne by the third party logistic services provider, except for losses caused by factors such as product aging or force majeure.

With respect to delivery orders fulfilled by third-party delivery platforms, our stores are responsible for ensuring food safety and quality of our products to be delivered and liable for any issue thereof. Third-party platforms are responsible for ensuring that the delivery personnel maintain good personal hygiene and our products free from contamination during the delivery. Furthermore, third-party delivery platforms are responsible for ensuring punctual delivery of our products and are liable for any damage to our products in delivery.

Store Quality Control

We have implemented guidelines and standards on maintaining food safety and hygiene in the operation of our stores, which our franchisees and their employees are required to follow. These guidelines cover, among others, personal hygiene, the inspection and safe storage of food ingredients, temperature control, cleaning and sanitizing, use of kitchen equipment, and the packaging and labeling of home meal products. All franchisees and store employees undergo mandatory training with respect to these standards.

Franchised stores must carefully inspect all products before displaying them on shelves and are responsible for any product quality issues resulting from their own actions. They must promptly handle any consumer complaint and report them to us. Franchised stores must comply with relevant food safety laws and regulations and may not sell any products with quality issues or potential hazards. Any resulting liabilities or compensation would be borne by the franchised store. If franchised stores violate our quality management standards and cause any food safety incidents that negatively impact our brand image, we have the right to terminate the franchise agreement and franchisee must compensate us for any losses incurred.

To supervise and detect noncompliance, we conduct regular training, guidance and inspections at franchised stores on food safety issues. We also have video supervision systems in most of our franchised stores, to enable real-time visual monitoring of store operations. We conduct ad hoc inspections of franchised stores remotely through the video supervision system on a daily basis. The inspections cover various aspects of the store operations, such as (i) the overall hygiene conditions of the store, (ii) in-store food processing, storage and display, and (iii) whether products are within their shelf life. If a franchised store is found to be non-compliant, our inspection personnel will report the incident to our regional management team and conduct follow-up supervision with the store, which may require remedial actions and impose penalties if appropriate.

SEASONALITY

Our business is subject to seasonal fluctuations due to factors including weather, holidays and school vacations. In particular, we generate a substantial amount of our revenue from our hotpot products, which are generally more popular during cold seasons. Historically, our sales are generally higher from October to February the following year. To offset the impacts of seasonality to a certain extent, we have enriched our product mix to include barbecue products, snacks, beverages and alcoholic drinks, and expect to meet the needs for more dining scenarios such as campsite dining casual snacking at home, fruits and light meals and solo dining.

COMPETITION

We operate in a competitive and fragmented market. According to the Frost & Sullivan Report, the aggregate market share of the top five players of China's home meal products market accounted for approximately 11.1% of the market share by retail sales value in 2022. We compete with a broad range of competitors in the industry, including domestic and international retailers of home meal products. See "Industry Overview — Competitive Landscape of China's Home Meal Products Market." We compete with these industry players for high-quality suppliers, consumers, store locations and corporate operation talents.

We believe that our competitive advantages include the successful implementation of our store network expansion strategy, and our ability to continuously source high-quality food ingredients and raw materials, to expand product portfolio, and to enhance our operational efficiency. According to the Frost & Sullivan Report, we were the largest home meal products retailer in China in terms of retail sales value in 2022, accounting for 3.0% of total market share in China.

INTELLECTUAL PROPERTY

Our intellectual property rights primarily consist of trademarks, copyrights, patents and domain names. As of April 30, 2023, we had 641 registered trademarks, 63 copyrights, 36 patents and 13 domain names. We also protect our intellectual property rights through a series of confidentiality agreements or provisions with all of our employees and franchisees.

We undertake a proactive approach to managing our intellectual property portfolio. Our legal department performs regular monitoring of our intellectual rights. We act when we are aware of a potential infringement of our intellectual property rights. For instance, we perform routine checks on the website of trademark office of China national intellectual property administration ("國家知識產權局商標局") to ensure our trademarks are not infringed by others.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes relating to the infringement of intellectual property rights that would have a material adverse effect on our business.

EMPLOYEES

As of April 30, 2023, we had 2,005 full-time employees. The following table sets forth the number of our employees by function as of the same date:

Function	Number of employees	%
Operation and store management	771	38.5
Store development and marketing	261	13.0
Procurement and supply chain	121	6.0
Production	380	19.0
Customer service	75	3.7
Food safety and quality control	62	3.1
IT	105	5.2
Finance, human resources, administration and others	230	11.5
Total	**2,005**	**100.0**

Attracting and retaining qualified employees is important to our success. We recruit employees primarily through headhunters, referrals, job fairs and recruitment websites during the Track Record Period. Committed to providing fair and equal opportunities to our employees, we formulated detailed career development and promotion path plans covering all levels of our staff and conduct performance evaluations regularly. As part of our retention strategy, we offer our employees competitive salaries and comprehensive insurance packages, which are generally based on the performance of the individual employees and the overall performance of our business.

We emphasize the importance of trainings for our employees to enhance their technical skills and comprehensive abilities and have designed comprehensive training systems through our *Guoquan Academy*. We provide induction training to our new joiners on our culture, business and industry enabling them to fit in. We also provide tailor-made in-house training sessions to our employees to improve technical skills in their practice areas and management skills training opportunities such as leadership trainings to cadre at key positions.

We have maintained a good relationship with our employees. During the Track Record Period, we did not have any strikes, protests or other material labor disputes that may impair our business and image.

INSURANCE

As of the Latest Practicable Date, we did not have any outstanding material insurance claims against us. We have retained the statutory social insurances as required by the relevant PRC laws and regulations, such as pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. We also maintain insurance policies covering employer liability. However, we do not have any insurance that protects us from potential damages in relation to franchisee misconducts and consumer rights infringements. We believe our existing insurance coverage is adequate for our existing operations and is in line with industry standards in China. Nevertheless, we may be exposed to claims and liabilities which exceeds our insurance coverage. See "Risk Factors — Risks Relating to Our Business and Industry — We have limited insurance coverage for our operations."

ENVIRONMENTAL, SOCIAL RESPONSIBILITY AND GOVERNANCE

We believe environmental, social and governance ("**ESG**") matters are essential to our continuous development. We are committed to integrating ESG criteria into our daily business activities. We have been, and will continue to be, committed to sustainable corporate development by focusing on areas such as product quality and safety, consumer service, compliance employment, environment protection and public responsibility. We plan to develop ESG strategy to guide our sustainable development. Quantitative targets and metrics will be set to ensure the ESG initiatives are well implemented, and a regular review process of our key ESG performance will be developed.

ESG Governance

We acknowledge that practical and comprehensive ESG governance lays an essential cornerstone for our path toward sustainable development. To effectively manage ESG issues, we have established a top-down ESG governance framework, comprising our Board, the Senior Leadership Team (the "**SLT team**"), and the ESG Working Group (the "**ESG Working Group**").

Our Board takes the overall responsibility for our ESG strategy formulation. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risk. The SLT team, consisting of our chief executive officer, senior management and our department heads, assumes the responsibility to (i) identify and evaluate ESG risks and opportunities related to our business, (ii) set ESG goals and targets, and formulate and assess ESG strategic plans and mitigating measures, (iii) monitor and manage matters relating to ESG issues, and (iv) confirm with our Board with respect to the effectiveness of our ESG system. The ESG Working Group comprises specially assigned personnel of key departments, such as the supply chain management department, operations department, human resources department, marketing department, legal department, and others. The ESG Working Group is dedicated to the implementation of our ESG plans. The ESG Working Group convenes meetings and communicates regularly to report and present the implementation progress and key results. At the same time, we have coordinated efforts across departments, including our production department and procurement department to report on ESG issues to our management.

ESG Policies

In order to effectively manage our sustainable development performance, we formulated ESG-related policies on our material ESG topics, including food safety, information security, occupational health, environmental protection and business ethics. These ESG policies show our commitment to relevant topics and provide a general guide to coordinate the sustainable development efforts.

Materiality Assessment

Considering our features and strategic direction, we identify material ESG issues through cross-functional internal team surveys, industry trends benchmarking and investor outreach. We assess the materiality of each ESG issue based on three factors, namely the importance of the issue, level of management of the issue and the financial impact on us. Through our assessment, we identified 20 ESG issues relevant to our business based on stakeholders' requirements. We rank the materiality of each ESG issue as follows:

Materiality of ESG issues	
1	Food Quality and Safety
2	Supply Chain Management
3	Environmental Protection
4	Energy Management
5	Food Wastage
6	Packaging Management
7	Employment Compliance
8	Occupational Health and Safety
9	Information Security
10	Business Ethics

We expect to further optimize our assessment process to cover more stakeholders and derive a matrix of material ESG issues based on our conditions and strategic direction.

ESG Risks and Opportunities

We use materiality assessment to identify, prioritize and strategically address relevant ESG risks that can have a significant impact on our operations, supply chain and communities in which we operate. We have identified the following ESG topics as material:

(i) *Food safety and quality*. We are subject to risks of food safety incidents such as contamination and food-borne illnesses, which may lead to administrative or criminal penalties and our reputation may be adversely impacted. As a result, we are required to continuously improve our food safety guidelines and policies, standards and procedures, inspections and checks, and training on proper food safety practices.

(ii) *Supply chain management.* Responsible sourcing and sound supply chain management are essential for us to ensure reliable food quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain may expose us to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

(iii) *Environmental protection.* We are subject to relevant environmental laws and regulations. For details, see "Regulatory Overview — Regulations on Environmental Protection." Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to further reduce emissions of wastewater and solid pollutants, which may increase our operating costs.

(iv) *Energy management.* Implementing effective energy management can help reduce energy consumption, save money on energy bills, reduce environmental impact and improve energy security. Furthermore, it can ensure compliance with regulations and standards and provide a framework for continuous improvement and sustainability. We carry out energy conservation and consumption reduction management in the use of electricity, water and natural gas to improve resource use efficiency and reduce energy consumption.

(v) *Food wastage.* Food production and society's consumption patterns strain natural resources and the environment. As a company that produces food, we emphasize reducing food waste and incorporating it into our manufacturing operations. We strive to make efficient use of natural resources, reduce our environmental impact, reduce food waste and promote sustainable practices and consumption.

(vi) *Packaging management.* Packaging management plays a crucial role in our operations, as it not only ensures product quality and safety but also helps prevent food waste. However, the use of unsustainable packaging materials can lead to significant environmental issues. To address this concern, we have adopted and implemented measures to promote the sustainable utilization of packaging materials.

(vii) *Employment compliance*. We must comply with employment laws, fair recruitment rules and regulations in the locations where we operate, to prevent and tackle workplace discrimination and ensure employees are paid adequately. It is essential for us to fully understand our obligations and are able to identify areas where further action and training is required to ensure compliance. Failing to meet legal obligations may lead to industrial disputes or tribunal claims.

(viii) *Occupational health and safety*. Occupational health and safety focuses primarily on protecting employees in the workplace from accidents, injuries, and exposure to harmful substances. We are responsible for maintaining a safe working environment for our employees by providing adequate training, safety equipment, and other necessary resources. Failure to implement effective policies and precautions can lead to injuries, reduced productivity due to the absence or loss of skilled labor, and workers' compensation claims.

(ix) *Information security.* We endeavor to ensure data security, protecting ourselves from cyber attacks and other unauthorized access and data breaches. Weak data security can lead to crucial information being lost or stolen, creating a poor customer experience that can lead to lost business and reputational harm if a company does not implement sufficient protections over customer data and information security weaknesses are exploited by hackers.

(x) *Business ethics.* Adhering to ethical business standards means fully protecting the rights and interests of all stakeholders and providing a transparent and reliable environment for internal and external partners to conduct business. Violations of business ethics may prevent healthy competition in the market, weaken brand value and social and customer trust, lose market access or growth opportunities while increasing the cost of litigation, penalties and fines and the uncertainty of future development, and reducing the efficiency of business operations, among other risks.

There are potential opportunities in the whole society's transitioning to a lower-carbon economy. With the popularization and application of technologies and the further streamline of our online and offline operations, we expect to improve our energy efficiency and there will be better chances for us to be recognized by end consumers and business partners over other less environmentally friendly competitors. At the same time, as the public shifts to healthier eating habits, healthy food will play a more important role in people's daily diet and our well-established brand awareness in connection with high-quality food ingredients will enable us to acquire more market share in the future, which in turn, is beneficial to further increasing our popularity, sales and profit margins.

Climate-related Risks and Opportunities Assessment and Management

Climate change poses unprecedented challenges to global economic development. The international community has become increasingly concerned about climate change in recent years. In November 2016, the Paris Agreement came into force intending to limit global temperature rise to two degrees Celsius by the end of the century compared to pre-industrial times, with a commitment to further control to 1.5 degrees Celsius. In line with its commitment to global cooperation in addressing climate change, the Chinese government has been actively promoting climate change mitigation efforts. It has announced its commitment and targets for "carbon peaking and carbon neutrality."

Climate Risk Assessment

Recognizing the interconnectedness of our business and climate change, we have identified and assessed climate-related risks to our operations, supply chain and stakeholders, including:

- *Physical risks*: Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our stores, factories and offices, pose safety risks to our staff and lead to delayed food delivery to our customers, among other consequences. We aim to protect the health and property of our employees and customers by guaranteeing timely and maximum compensation for economic losses caused by natural disasters or accidents.

- *Transition risks*: Policy risks, technology risks, market access risks, goodwill risks, etc., associated with the transition to a low carbon economy. Against the backdrop of the PRC's carbon peak and neutrality goals, we may incur additional costs to purchase new energy, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon product development. We will continue to monitor the external compliance environment and stakeholder expectations to explore more sustainable operations and services. We also plan to continuously monitor climate-related matters and governmental developments around actions to combat climate change and act to minimize the impact on our operations.

Climate Related Targets and Metrics

We recognize that optimizing energy and greenhouse gas ("GHG") emission management is fundamental for us to effectively manage climate change risks, and energy consumption is closely linked to the GHG emission. Setting our energy consumption and GHG emission targets with a clear timeframe is the basis for us to sustainably reduce our energy consumption intensity and GHG emission intensity. We set various targets for the sustainable development of our business operations and financial performance. In terms of energy consumption and GHG emission, we expect to have a 5% reduction in energy consumption intensity and GHG emission intensity from 2022 to 2032.

Based on the following historical data on energy consumption and GHG emission and our production forecasts, we expect to continually explore measures to reduce our carbon footprints by using clean energy, improving our energy efficiency and monitoring our GHG emission:

	Year ended December 31,		
Indicators	**2020**	**2021**	**2022**
Energy consumption			
Consumption of purchased electricity (million watt-hours)	1,236.0	2,613.0	7,943.5
Diesel (liter)	—	—	465.9
Gasoline (liter)	87,518.9	224,472.4	145,759.7
Natural gas (standard cubic meters)	—	24,446.0	271,363.4
Comprehensive energy consumption			
Comprehensive energy consumption (direct) (ton of standard coal)	93.4	272.0	517.0
Comprehensive energy consumption (indirect) (ton of standard coal)	151.9	321.1	976.3
Total comprehensive energy consumption (ton of standard coal)	245.3	593.1	1,493.2
Comprehensive energy consumption intensity (ton of standard coal/ton of qualified product output)	—	0.3	0.1
Greenhouse Gas			
Scope 1 greenhouse gas emission (ton of carbon dioxide equivalent)	184.3	525.6	894.9
Scope 2 greenhouse gas emission (ton of carbon dioxide equivalent)	704.9	1,490.2	4,530.2
Total greenhouse gas emissions (ton of carbon dioxide equivalent)	889.2	2,015.8	5,425.1
Greenhouse gas emissions intensity (ton of carbon dioxide equivalent/ton of qualified product output)	—	1.1	0.4

Energy and GHG Management

We have established a procedure to reduce energy consumption and GHG emission and increase the use of clean energy in our daily operations and production. We strictly abide by the Energy Conservation Law of the PRC and other laws and regulations, and have established an internal energy management policy as follows:

- **Improving the energy efficiency of our operations:** The primary energy sources we utilize include electricity and natural gas consumed by boilers during production, with minor amounts of diesel for emergency generators and gasoline for our vehicles. We prioritize using equipment with higher energy efficiency and set precise schedules for activating boilers, streetlights, and other facilities to minimize energy waste.

- **Monitoring greenhouse gas emissions:** We are dedicated to constantly enhancing energy efficiency, adopting green energy as a long-term objective, and optimizing production lines to improve our energy management performance. We routinely carry out energy consumption analyses and inspections, addressing any abnormal fluctuations in energy data by conducting monthly operational review meetings to optimize energy usage efficiency.

- **Reducing energy usage:** We have entered into agreements with third-party companies to implement power-saving programs, thereby reducing power consumption through centralized coordination and management.

During the Track Record Period, we implemented initiatives such as high energy consumption equipment replacement, energy recycling and energy management information tracking to optimize our energy consumption management and reduce resource costs.

ESG Management Measures

Food Safety and Quality

High standards of food safety and quality of our products are important to maintain our market position. Every employee of our Group is responsible for creating a food safety culture and we are committed to bringing safe, high quality food ingredients to consumers. We have implemented a reliable quality control system to guarantee the quality and safety of the products found in our stores. We recognize the importance of public food safety and have established internal systems such as the Guoquan Quality and Food Safety Management Manual and the Store Food Safety Management System. We have implemented a safety and quality assurance system, a quality management system based on ISO 9001:2015, and a food safety management system based on ISO 22000:2018. These systems cover the entire production, storage, transportation and retail processes to ensure the quality and safety of products delivered to our stores.

We work closely with national authorities to implement strict food safety and quality control standards and measures that covers the entire production, storage, transportation and retail process of our products. Our comprehensive food safety and quality assurance system encompasses factory audits, inspections, product testing, labeling and compliance services. It ensures product lifecycle quality control, from design and realization processes to supplier quality evaluations and procurement management. Additionally, the system covers third-party warehouse distribution, logistics, store sales and customer service.

Meanwhile, we require franchised stores to train and assess their employees on food safety knowledge once a year and arrange for at least three employees to receive food safety training and exams at the branch's training department before opening, and for sales managers to undergo at least one in store-wide food safety trainings and exams. All employees have at least 40 hours of food safety knowledge training per person per year. In 2022, our handling rate of the complaint about products and services was 100%.

Supply Chain Management

We work closely with our suppliers to ensure the safety and quality of our end products, while also promoting sustainable development throughout our supply chain ecosystem. We encourage our suppliers to meet our procurement access standards and take initiatives in the areas of environmental conservation, labor standards, employee health and animal welfare, in line with our Supplier Code of Conduct. In particular, we place great emphasis on animal welfare and product quality, and require our suppliers to actively engage with other stakeholders within the value chain to enhance awareness of animal welfare issues. Currently, suppliers representing 40% of our purchase value have completed the signing of our Supplier Code of Conduct, and we are committed to achieving 100% coverage in the future.

As a responsible enterprise, we focus on building a transparent, eco-friendly, and healthy supply chain while continually enhancing our internal supply chain management systems. We have a clear process for managing suppliers, which includes our Supplier Management System and other related systems. To onboard as our supplier, the vendors must pass a Supplier Introduction Assessment and Application review process, which is reviewed by our food safety and quality control team as well as our procurement and supply chain team. We also utilize our Supplier Daily Assessment and Management System to monitor their performance and maintain high standards for quality, safety and sustainability throughout the supplier relationship. Moreover, our Supplier Management System ensures a smooth and efficient process for bringing new suppliers on board and offboarding suppliers when necessary. We carefully select suppliers that align with our Group's development through factory qualification assessments and production site audits. To sustainably improve our supply chain's competitiveness, we regularly evaluate suppliers based on quality, delivery costs, and performance, ensuring that only the most capable suppliers are retained and underperforming ones are replaced.

Our procurement and supply chain team prepares and regularly updates our list of suppliers in accordance with our onboarding and offboarding process, detailed as follows.

Development and Onboarding

- Based on the Supplier Introduction Assessment Form and the Supplier Introduction Application Form, and combined with our Principles of Sustainable Procurement, we conduct in-depth assessments of suppliers' overall strength, risk profile and sustainability performance. We confirm such assessments through additional means, such as certification of relevant materials and site visits.

Management and Performance Evaluation

- We have developed a Daily Appraisal and Grading Management System for our suppliers and evaluate and score according to their performance.
- We evaluate the suppliers that we procure from every six months based on delivery timeliness, delivery quality, and cooperation. We conduct an annual assessment of suppliers.

Elimination and Withdrawal

- We regularly update our Supplier Directory, which contains the Qualified Supplier List and the Offboarding Supplier List.
- We adopt a zero-tolerance policy towards suppliers who engage in fraudulent activities, deliberately conceal information, or violate fair competition and terminate cooperation permanently with such suppliers.

Supplier Management Process

Our Group regularly evaluates and manages suppliers in nine areas: food safety management system, good practices and hygiene, pest prevention and control, supplier management and raw material acceptance, storage facilities and control, production process management, non-conforming product management, inspection management and marking compliance, product traceability, etc.

We plan to establish a standardized, open, transparent, equal and competitive supplier management system, actively communicate with suppliers and maintain long-term partnerships. Through the Guoquan Academy and our management system, we routinely train key supplier personnel on food safety, production management, and other relevant topics. These include the traditional seven quality control tools ("**7 QC tools**") and Plan-Do-Check-Act cycle, non-conformity management training, food contamination control, food traceability and recall, and pest control. The 7 QC tools include arrow diagram, interrelationship diagram, tree diagram, affinity diagram, matrix diagram, matrix data analysis chart and process decision program chart. We also offer one-on-one training and guidance to franchisees, enabling them to quickly adapt to their roles, achieve efficient management, and ensure sustained growth in store turnover. Additionally, Guoquan Academy franchisees with provides training courses and hands-on experiences through various formats, both online and offline.

We have also established the Supplier Production Site Audit and Evaluation Form management system, which primarily focuses on supplier anti-bribery agreements. By monitoring customer complaints and collaborating with suppliers to develop quality improvement initiatives, we continuously enhance product quality and increase consumer satisfaction. In the future, we plan to incorporate supplier integrity and anti-corruption measures, quality control, and labor compliance into our supplier assessments.

Environmental Protection

We strictly comply with environmental protection laws and regulations in the PRC, including the Environmental Protection Law, the Environmental Impact Assessment Law, the Law on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law, the Water Law, and the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes. We have established internal environmental management systems, such as the Chengming Environmental Protection Management System, the Wanlai Wanqu Environmental Management System for Three Wastes, the Wanlai Wanqu Hazardous Waste Management System, the Heyi Hazardous Waste Environmental Management System and the Heyi Sewage Station Management System, further consolidating our internal environmental management.

We set a series of environmental targets to minimize our environmental impact: Our Group is committed to strictly complying with the laws and regulations related to environmental protection in the places where we operate, ensuring that environmental impact assessments and completion inspections are conducted as required, and that the pollutants we discharge (air, wastewater, and waste) are effectively disposed of. In addition, we are committed to improving the efficiency of water use and practicing green development. We have set target for more efficient water consumption. We aim to have a 5% reduction in water consumption intensity from 2022 to 2032.

The waste gas mainly consists of exhaust emissions from natural gas combustion in boilers during production. These boilers generate heat for secondary use, with excess steam supplied to the production facilities. We prioritize water conservation in our production operations and adopt measures to improve recycling rates. Our efforts include daily conservation promotion, using eco-friendly sanitary ware like touch-activated taps, and improving recycling rates through waste heat utilization and water reuse, such as harnessing heat energy during cooling to warm water and repurposing generated water.

In terms of waste management, we have established a system that mandates temporary storage of waste packaging bags produced during the manufacturing process in a designated hazardous waste room. These bags are then entrusted to a third-party institution for proper disposal. Our wastewater is treated at a sewage treatment station, and once it meets the required standards, it is discharged into the municipal sewage treatment plant through the pipe network for advanced processing.

With a goal to minimize the impacts of our business operation on environment, we are developing environmental protection management and control procedures that consider key risks and issues related to environmental protection and provide guidance for managing and addressing ESG-related matters.

We also participated in charitable activities promoting green public welfare ideas, such as the "Together for Good" charity sale event in Shanghai. Looking forward to the future, we will continue to explore sustainable business opportunities and apply more environmentally friendly new technologies, and we are committed to practicing corporate social responsibility and low-carbon development strategies.

The table below sets forth our water consumption during the Track Record Period.

	Year ended December 31,		
Indicators	**2020**	**2021**	**2022**
Water Source			
Tap water/municipal water withdrawal (ton)	10,293.1	24,276.5	101,179.5
Water intensity (ton of water withdrawal/ton of qualified product output)	—	13.2	6.8

Food Wastage and Packaging Management

Our Group actively minimizes waste from food and products across our operations and supply chain and explores innovative initiatives to reduce food loss across the value chain, which include the following measures:

- **Inventory Management:** We strengthen our inventory management at the food procurement stage by strictly limiting the terms with some of our raw material suppliers. For such suppliers, we do not accept raw materials that have been stored for more than two-thirds of their shelf life.

- **Resource Utilization:** At the food disposal stage, we sell expired products, used oil and waste residues to third-party processors for resource utilization as poultry feed.

- **Packaging Innovation:** We launched a variety of small and individually packaged products, which help consumers avoid wastage from over-ordering and allows consumers to reduce calorie intake while enjoying a wider variety of food options.

While we recognize that the introduction of smaller individually packed products can sometimes result in an increase in overall packaging materials used, we are committed to implementing various initiatives aimed at reducing the overall use of packaging materials and improving the sustainability of our packaging. Our packaging materials primarily consist of roll film cartons, plastic boxes, plastic bags and tapes. Reducing packaging waste, enhancing recyclability, and effectively managing recycled materials are essential for both consumers and society. We have set target for reducing packaging waste. We aim to reduce the use of non-recyclable materials intensity in our packaging by 5% from 2022 to 2032. We strive to reduce the impact of pollution of product packaging materials on the environment. We do not provide excessive product packaging and adhere to the principles of recycling and environmental friendliness for packaging materials. We have been promoting the use of degradable plastic bags to replace traditional plastic bags across the country, and reusable non-woven shopping bags in many provinces.

Since March 2020, we have been promoting a nationwide program to replace traditional plastic bags with biodegradable plastic bags. Furthermore, we actively urge our suppliers to reduce their use of plastic products.

In 2022, the amount of food-based waste we generated was 31.6 tons. In addition, we regularly track package usage and despite the increase in production in 2022 compared to 2021, the use of packaging materials intensity remains low. The following table sets forth our packaging materials usage during the Track Record Period:

	Year ended December 31,		
Indicators	**2020**	**2021**	**2022**
Packaging materials			
Plastic (ton)	0.4	53.9	477.7
Paper (ton)	—	140.2	1,175.2
Other (ton)	—	—	—
Total use of packaging materials (ton)	0.4	194.1	1,652.9
Use of packaging materials intensity (ton of packaging materials/ton of qualified product output)	/	0.1	0.1

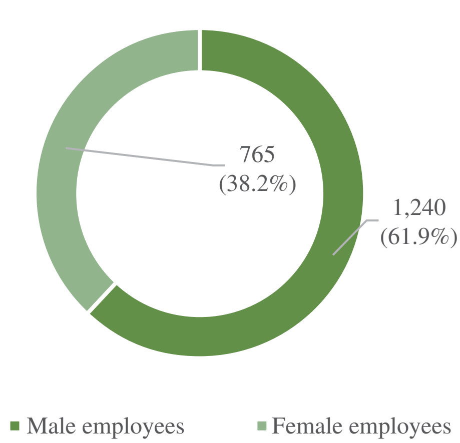
Employment Compliance

Our employees are fundamental to both our sustainable development and our success. We give job applicants equal job opportunities and hire employees based on their merits. Child labor and forced labor are forbidden. Decisions relating to human resource management such as career promotion, salary increment and dismissal within our Group would be made solely depending on the employee's performance, experience and capability.

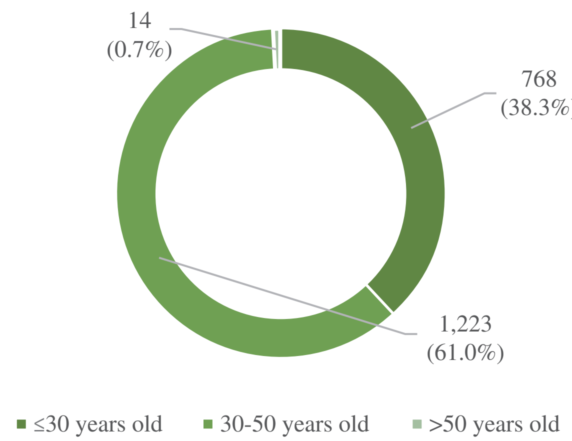
We adhere to principles of open recruitment, equal competition, and merit-based recruitment. We offer a wide range of recruitment channels, including internal recruitment and external recruitment. In accordance with PRC Labor Law, PRC Labor Contract Law and other laws and regulations, we formulated a Remuneration and Bonus Management Specification (Draft) and a Staff Promotion Management Method (Draft) to further ensure the fairness and impartiality of rewards and punishments for employee performance. We have also set up a transparent Recruitment System and Performance Management Manual to determine standards of compliant recruitment and reasonable promotion, providing a solid foundation for the effective implementation of employee compensation and dismissal, recruitment and promotion, working hours, vacation, equal opportunity, diversity, and anti-discrimination.

As of April 30, 2023, we had 2,005 full-time employees, and the composition of which by gender, age and function are illustrated below:

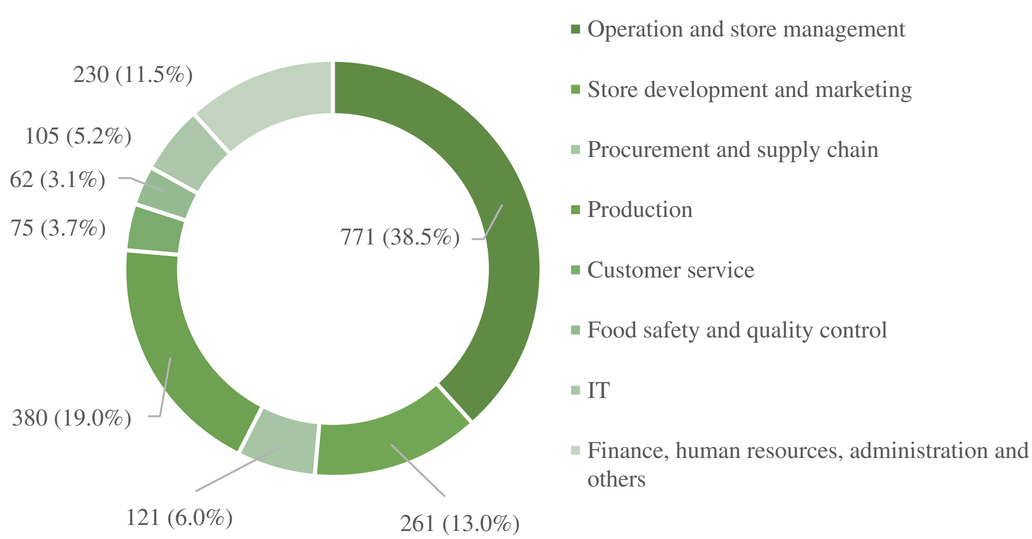
By Gender



By Age



By Function



We are committed to creating an equal, diverse, and inclusive working environment by providing diverse and equal employment opportunities to our employees and promoting such values to our franchisees, including prioritizing employing people with disabilities and actively helping disadvantaged groups solve employment problems.

Occupational Health and Safety

We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures to promote occupational health and safety and to ensure compliance with applicable laws and regulations. The Heyi Plant (和一工廠) has established an Occupational Health and Safety Management System to control and eliminate occupational hazards, prevent occupational diseases, and ensure the occupational health and safety of employees in the production process.

We provide suitable and necessary protection equipment to our employees, i.e., protective suits and masks to ensure their safety during work. Furthermore, we inspect our production facilities from time to time in order to ensure that such facilities are safe for use. We have been on the front line of the prevention and control of the COVID-19 outbreak, maintaining a high level of vigilance at all times, strictly implementing various epidemic prevention initiatives and deploying emergency measures to protect the safety of our employees. We are subject to PRC laws and regulations in relation to labor, safety and environment protection matters. We have established occupational safety and sanitation systems and provide employees with workplace safety training on a regular basis to increase their awareness of work safety issues. We are dedicated to providing employees with an environment where they can experience caring leadership. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws and regulations in relation to occupational health and workplace safety in all material respects and have not had any material work safety incidents.

Information Security

Our Group strives to implement the high level of information security standards to protect our business and the rights of our stakeholders. We have established a strict information security management system, which regulates the contents of network security and information platform security. All our customer information is stored uniformly through the system and can only be accessed with the appropriate management authority.

In addition, we organized regular security checks and maintenance work to protect the privacy of our customers.

Business Ethics

Our Group has adhered to the principle of "Striving for excellence and goodness, with a focus on helping others (向上向善 • 利在利他)," aiming to protect the legitimate interests of employees, customers, franchisees, and other stakeholders. We have set up an independent internal inspection department specifically responsible for investigating internal irregularities and violations. And we established clear reporting channels, encouraging franchisees and others nationwide to supervise our daily work.

We focus on all-around business ethics risk control. Our group has established a risk management team responsible for the overall work of risk management and crisis management. At the same time, we have established a "Major and Emergency Response Team" at our headquarters, headed by our chief executive officer, with the vice president as the deputy head and the chief financial officer and heads of departments as members, to lead and coordinate the handling of primary and emergency events.

We accurately classify and categorize the risks that may occur according to the actual situation of the Company's operation, formulate practical emergency response plans in advance, and establish emergency management mechanisms. In addition, we supervise and inspect the management of operational risks weekly and report on them as part of the weekly business meeting to promptly address the risks.

Economic Development and Rural Revitalization

We are committed to serving the economy, supporting rural revitalization, and practicing long-termism by promoting low-carbon environmental development and shared prosperity. Our strong support and empowerment of franchisees has attracted many entrepreneurs to start their own businesses, boosting employment and contributing to local economic growth. Our procurement of raw materials and construction of factories has also promoted rural industrial upgrading and local employment.

Our investments in and efforts in constructing a robust supply chain has promoted local economic growth and our extensive nationwide store network has been creating a large number of entrepreneurial and job opportunities for people through franchisees, store managers, and store employees. For our contribution to the supply chain, green development, and active social responsibility, we have been awarded the "2022 ESG Collaboration Award."

In 2022, the amount of charitable donation by our Group was more than RMB3.9 million.

DATA PRIVACY AND SECURITY

Our Efforts on Data Privacy and Protection

In the ordinary course of business, we from time to time collect and use certain personal information of our consumers, such as the consumer's mobile phone number and delivery address, which are primarily used for the purpose of membership identification and provision of consumer services, including matching the stores near the consumers, processing orders placed by consumers, delivery of products, settlement of payment, issuing receipts and customized recommendation of products, among others. We consider the protection of the data privacy of our consumers to be of paramount importance. We have in place policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of the PRC, such as the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), and the Data Security Law of the PRC (《中華人民共和國數據安全法》). See "Regulatory Overview — Regulations on Internet Information Security and Privacy Protection" for further details.

We have adopted a broad range of data security and protection policies, which provide for data management responsibilities, data classification, data protection and confidentiality procedures. We have also established committees for personal information protection, information security and data security, respectively. The committees assume the overall responsibilities of respective data privacy and security, oversee our data management framework, and proactively identify any potential risks including those with respect to privacy and data protection.

In addition, we have currently implemented a number of specific measures with respect to personal information protection, data security and cybersecurity. For example, we have formulated appropriate rules to handle consumers' personal information and provide consumers with privacy policy, ensuring that they provide personal information authorization before they can use our online services. These enable consumers to understand the types of personal information that we will collect from them, which includes, amongst others, their username, mobile number, delivery address and historical order information with us. Furthermore, we have obtained record filing certificates for the graded protection of cybersecurity (網絡安全等級保護備案證明) for our core business systems. And we have also obtained the record filing certificate for the communication network unit of our core business systems. As of the Latest

Practicable Date, all consumers' personal data collected during our daily business operations within the PRC had been stored within the PRC. We adopt encrypted storage and backup measures to store and protect consumers' personal data. In addition, we comprehensively classify the data in our systems by the level of confidentiality.

Apart from the abovementioned measures and mechanisms we adopt, we have also in place internal policies to provide our employees with the guidelines for data sharing, transmission, and processing. Furthermore, we implement an access control mechanism. Our franchisees only have access to the personal data of their respective consumers to process relevant orders. In addition, we sign agreements with our franchisees, requiring them to comply with relevant data security laws and regulations.

We believe the measures we take with respect to data privacy and protection are consistent with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data breach incident. For risks related to data privacy protection, see "Risk Factors — Risks Relating to Our Business and Industry — Actual or alleged failure to comply with cybersecurity and data privacy and protection laws and regulations could damage our reputation and operating results, and discourage consumers from registering memberships, or subject us to governmental regulation and other legal obligations."

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material non-compliance with or violations of applicable PRC laws and regulations with respect to privacy and personal data protection. As of the Latest Practicable Date, we were in compliance with applicable laws and regulations relating to data security and privacy in all material aspects.

In addition, on June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The PRC Data Security Law provides for a security review procedure for the data activities that may affect national security. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which, the purchase of network products and services by a critical information infrastructure operator (the "**CIIO**") or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review.

Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing in a foreign country (國外上市); and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted.

On March 16, 2023, our PRC Legal Advisor and the Joint Sponsors' PRC Legal Advisor made a telephone consultation on a named basis with the China Cybersecurity Review Technology and Certification Center (the "**CCRC**"), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that (i) the term of "listing in a foreign country" (國外上市) under the revised Cybersecurity Review Measures does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed listing in Hong Kong and (ii) given that the Draft Data Security Regulations has not become effective, the obligation to apply for cybersecurity review with the CAC under the Draft Data Security Regulations does not apply to our proposed listing.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications or other sanctions imposed by any competent regulatory authorities in relation to the infringement of cybersecurity, data security and personal information protection related laws and regulations, nor had we been subject to or involved in any investigations, or received any material inquiry, examination, warning or interview in such respect. As of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review initiated by the CAC, nor had we received any inquiry, notice, material warning or sanctions in such respect. To our best knowledge, as of the Latest Practicable Date, we had not been involved in any material litigation, arbitration or administrative proceedings in relation to the infringement of cybersecurity, data security and personal information protection related laws and regulations, either pending or threatened against us, that were expected to materially and adversely affect our business operations and financial condition. During the Track Record period and up to the Latest Practicable Date, to our best knowledge, we did not engage in any business nor process any data that may give rise to national security risks based on the factors set out in Article 10 of the revised Cybersecurity Review Measures. As of the Latest Practicable Date, we had not received any notification from relevant authorities of being identified as CIIO. As of the Latest Practicable Date, we had not encountered any material cybersecurity, data or personal information security incidents, and we had adopted various technical and management measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data. As discussed above, as of the Latest Practicable Date, we had also adopted and implemented internal control systems, policies and procedures to guide our cybersecurity, data security and privacy protection practices to comply with the existing PRC laws and regulations on cybersecurity, data security and personal information protection. We have been constantly monitoring and will continue to monitor and assess the latest legislative and regulatory development in cybersecurity and data protection, and we have been maintaining and will continue to maintain ongoing consultation with relevant government authorities to seek guidance on the applicability of relevant laws and regulations, so that we may continually amend our internal policies in response to new regulatory developments and take any necessary rectification measures in a timely manner to comply with the requirements thereof if and when they come into effect. Based on the abovementioned factors, our Directors and CM Law Firm believe that (i) as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, privacy and personal data protection in all material aspects and (ii) the cybersecurity-related regulations will not have any material adverse effect on our business operations or the proposed Listing. In addition, we believe that we will be able to comply with the Draft Data Security Regulations in all material aspects, if implemented in its current form.

Taking into account the above, as well as based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the Directors' view.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established our risk management systems to identify, assess, monitor and mitigate the risks that may hinder our success including strategic risks, operational risks, financial risks and legal risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management;"
- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues; and provide enhanced training programs on quality assurance and product safety procedures.

Third-party Settlement Arrangements

Historically, certain of our customers and suppliers (individual or collectively, the "**Relevant Counterparty(ies)**") settled transactions with us through the accounts of third parties chosen by these Relevant Counterparties (the "**Third-party Settlement Arrangement**"). In 2020, 2021, 2022 and the four months ended April 30, 2023, the aggregate amount of payment from the chosen third parties to us accounted for approximately 17.3%, 9.3%, 1.3% and nil of our total payments received from franchisees, respectively. During the same periods, the aggregate amount of payment we made to the chosen third parties accounted for approximately 1.3%, nil, nil and nil of our total payments made to all suppliers, respectively.

During the Track Record Period, the Relevant Counterparties include our franchisees and suppliers who operate small-scale business. These franchisees and suppliers settled payments with us through the chosen third parties because they mainly operated their business on a small scale and preferred settlement of payments through bank accounts of the chosen third parties for convenience considering that many small-scale business operators typically prefer using personal bank accounts of shareholders, legal representatives, employees, family members or friends due to cumbersomeness of using corporate bank accounts. According to Frost & Sullivan, it is relatively common within the industry to arrange third party payments for small scale-business in China for flexibility and convenience reasons.

During the Track Record Period and up to the Latest Practicable Date, we have not proactively initiated any Third-Party Settlement Arrangement, nor have we participated in other forms in any of separate arrangements between the Relevant Counterparties and their respective chosen third parties for the settlement between themselves. In addition, during the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Counterparties or the chosen third parties to facilitate or encourage the Third-Party Settlement Arrangement. The payment and pricing terms and transaction patterns of the Counterparties involved in the Third-party Settlement Arrangement did not differ from other customers or suppliers with direct settlement with our Group in all material respects.

As advised by our PRC Legal Advisor, the Third-party Settlement Arrangement did not violate any mandatory provisions of any applicable laws or regulations in China. We have ceased all Third-party Settlement Arrangement with our franchisees and suppliers since September 2022 and April 2020, respectively. Our Group considers that the cessation of arrangements did not have, nor will have, any material adverse effect on the business, operations and financial results of our Group. We have also obtained the confirmation letters from the majority of the Relevant Counterparties confirming that (i) the payments we settled with the chosen third parties were arising from our transactions with the Relevant Conunterparties within the normal course of our business; (ii) the amount listed therein was fully settled between us and the chosen third-parties on behalf of the Relevant Counterparties; and (iii) we had no disputes arising from the Third-party Settlement Arrangement with the Relevant Counterparties and the chosen third parties.

We have adopted enhanced internal control measures to safeguard our interest against risks associated with the Third-party Settlement Arrangement, including but not limited to the following:

(i) Our customers and suppliers are required to submit their own settlement account information to us before any settlement is made, and we will closely monitor any change of settlement account information to identify any potential Third-party Settlement Arrangement;

(ii) Our employees are required to notify the above policies and measures to our customers; and

(iii) We manage our bank accounts in accordance with the principle of segregation of duties. Different personnel of our finance department are assigned with different duties to verify, record, manage and settle transactions through such accounts, to ensure the accuracy of our accounting records, reduce the risks of account misuse and avoid account security risks.

Based on the follow-up review on the implementation of measures, our Directors are of the view that the above measures are effective and adequate in preventing recurrence of Third-party Settlement Arrangement and its associated risks, and our Directors will oversee the effectiveness of the aforementioned enhanced internal controls on the Third-party Settlement Arrangement in the future.

Enhanced Internal Control Measures

Since the cessation of the use of the Personal Bank Accounts, we also implemented enhanced internal control measures with respect to sales management which explicitly provide the following:

- Explicit prohibitions as to the use of personal bank accounts for business purposes;
- Enhance the management of bank accounts within the finance department;
- All business-related transactions to be made through our Group's corporate bank accounts only; and
- Designated senior management to closely monitor the use of corporate bank accounts and their transactions.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Award/Recognition	Award year	Awarding Institution/Authority
Award for Pioneer in Zero-Carbon for the Year 2023, International Green Zero-Carbon Festival (國際綠色零碳節2023碳中和數字先鋒獎)	2023	Organizing Committee of International Green Zero-Carbon Festival (國際綠色零碳節組委會)
Hongqiao Business District (Minhang) Outstanding Contribution Enterprise Award (虹橋商務區(閔行)突出貢獻企業獎)	2022	Shanghai Hongqiao International Central Business District Administrative Committee (虹橋國際中央商務區管委會)
The 2022 KPMG Top 50 Chinese New National Product Enterprises, Committee Special Award (第二屆畢馬威中國新國貨企業50榜單評委會特別獎)	2022	KPMG China (畢馬威中國)
2022 ESG Collaboration Award (2022年度ESG協作獎)	2022	KPMG China (畢馬威中國)
The Model Enterprise for Social Responsibility of the Year 2020, China Philanthropy Festival (中國公益節2020企業社會責任行業典範獎)	2021	Syobserve.com (數央網) & Gongyidaily.com (數央公益)
The Best Retail Sales Business of Digitalization and Innovation for the Year (年度最佳零售數字化轉型與創新獎)	2021	The Commerce Economy Association of Shanghai (上海商業經濟學會), WRE World Retail Elite, etc.

Award/Recognition	Award year	Awarding Institution/Authority
The Most Popular Brand among Young Consumers for the Year 2021 (消費者報道2021年度最受年輕消費者歡迎品牌獎)	2021	Guangdong Times Media Group (廣東時代傳媒集團)
Ebrun Top 30 Digital Businesses of Future Retail Sales (億邦未來零售數字化榜單TOP30)	2021	Ebrun (億邦動力)
Top 30 Consumer Good Companies of Chinese Unicorn Index 2021 (2021中國獨角獸榜單消費獨角獸TOP30)	2021	Blue Shark Consume (藍鯊消費)
Forbes High-growth Gazelle Enterprises in China for the Year 2020 (2020福布斯中國高增長瞪羚企業)	2020	Forbes China (福布斯中國)

PROPERTIES

Owned Properties

We owned certain properties in China in connection with our business operations. As of the Latest Practicable Date, we owned land use rights to four land parcels with a total site area of approximately 165,671 sq.m. and ten properties with a GFA of approximately 78,351 sq.m., mainly for production facilities and office spaces. We had obtained land use right certificates for the land parcels and building ownership certificates for the properties. In addition, in July 2022, we acquired a parcel of land with a site area of approximately 18,563 sq.m., with a plan to enhance our product development and production capabilities. As of the Latest Practicable Date, we had received the approval from the local authority for the land use right, and were in the process of applying for the land use right certificate.

Leased Properties

As of the Latest Practicable Date, we had entered into 88 lease agreements to lease properties with a GFA of approximately 37,514 sq.m. from third parties, mainly for our office spaces and employee dormitories. The leases generally have a term from one year to eight years.

As of the Latest Practicable Date, 30 of our leased properties in China that are primarily used as employee dormitories and office spaces with a GFA of approximately 11,461 sq.m. were subject to potential title defects, representing approximately 30.6% of the total GFA of our leased properties in China. The title defects were mainly due to that (i) the lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us, (ii) the defective leased properties were located on allocated lands, and (iii) the lessors had not leased such properties in accordance with the permitted usage as specified on title certificates. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties.

As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease rights. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, we may be required to vacate these defective leased properties and relocate our office space and third-party warehouses.

Our Directors believe that such defective leased properties will not have a material adverse impact on our business, financial conditions and results of operations, primarily because, (i) our leases for the defective leased properties were not challenged by third parties or relevant authorities with respect to the defective leased properties, (ii) we were not involved in disputes, lawsuits or claims or receive administrative penalties in connection with the rights to lease and use such properties occupied by us, and (iii) we are able to identify a replacement premise and relocate without incurring significant relocation cost, considering the purposes and floor area of such leased properties.

As of April 30, 2023, none of the properties held by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

In an effort to prevent future recurrence of occupying properties with defective titles, we have established internal control policies regarding the selection and approval of leasing and purchasing of properties. See "— Risk Management and Internal Control."

LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits to operate our business. Our legal department is responsible for monitoring the validity status of our and making timely applications for renewal to relevant government authorities. We monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations. See "Regulatory Overview."

As of the Latest Practicable Date, we had obtained the requisite licenses, approvals and permits from relevant authorities that are material to our operations in the PRC and such licenses, approvals and permits were valid and remained in effect. The following table sets out a list of the material licenses and permits currently held by us.

Name of Licenses, Permits and Approvals	Holder	Expiry Date
Food Operation License (食品經營許可證)	Our Company	January 1, 2025
Value-added Telecommunications Business License (增值電信業務經營許可證)	Our Company	July 28, 2026
Liquor Retail License (酒類商品零售許可證)	Our Company	October 14, 2025

Name of Licenses, Permits and Approvals	Holder	Expiry Date
Liquor Wholesale License (酒類商品批發許可證)	Our Company	October 14, 2025
Food Operation License (食品經營許可證)	Henan Guoxiaoquan Electronic Commerce Co., Ltd.	September 15, 2025
Food Operation License (食品經營許可證)	Henan Guoquan Supply Chain Management Co., Ltd.	May 10, 2028
Single-Purpose Commercial Prepaid Cards Registration (單用途預付卡企業備案)	Henan Guoquan Supply Chain Management Co., Ltd.	N/A
Commercial Franchise Filing Certificate (商業特許經營備案)	Henan Guoquan Supply Chain Management Co., Ltd.	N/A
Food Operation License (食品經營許可證)	Wuhan Guoquan Shihui Commercial Management Co., Ltd.	April 13, 2026
Food Operation License (食品經營許可證)	Hangzhou Guoquan Shihui Commercial Management Co., Ltd.	May 13, 2026
Food Operation License (食品經營許可證)	Changsha Guoquan Shihui Commercial Management Co., Ltd.	January 21, 2026
Food Operation License (食品經營許可證)	Shaanxi Guoquan Shihui Commercial Management Co., Ltd.	August 10, 2025
Food Operation License (食品經營許可證)	Shanxi Guoquan Shihui Commercial Management Co., Ltd.	October 18, 2025
Shenzhen Food Operators Filing Form (sales of prepackaged foods only) (深圳市僅銷售預包裝食品單位備案憑證)	Shenzhen Guoquan Shihui Commercial Management Co., Ltd.	N/A
Food Operation License (食品經營許可證)	Hebei Guoquan Shihui Commercial Management Co., Ltd.	March 14, 2026
Food Operation License (食品經營許可證)	Shanghai Guoquan Shihui Trading Co., Ltd.	September 8, 2025
Food Operation License (食品經營許可證)	Zhengzhou Guoquan Shihui Internet Technology Co., Ltd.	July 18, 2027
Food Operation License (食品經營許可證)	Shenyang Guoquan Shihui Commercial Management Co., Ltd.	January 3, 2026
Food Production License (食品生產許可證)	Luyi Chengming	October 15, 2025
Food Operation License (食品經營許可證)	Luyi Chengming	June 18, 2025
Food Operators Filing (sales of prepackaged foods only) (僅銷售預包裝食品經營者備案)	Sichuan Chengming Food Co., Ltd.	N/A
Food Production License (食品生產許可證)	Luyi Heyi	September 12, 2026

Name of Licenses, Permits and Approvals	Holder	Expiry Date
Food Production License (食品生產許可證)	Wanlai Wanqu	October 27, 2026
Food Operation License (食品經營許可證)	Luyi Heyi (Shanghai branch)	January 26, 2026
Food Operation License (食品經營許可證)	Henan Guoquan Supply Chain Management Co., Ltd. (Lanbaowan branch)	September 10, 2025
Food Operation License (食品經營許可證)	Henan Guoquan Supply Chain Management Co., Ltd. (Fuyuan Road branch)	September 1, 2025
Food Operation License (食品經營許可證)	Shenyang Guoquan Shihui Commercial Management Co., Ltd. (Xiaobeiyi Middle Road branch)	October 27, 2027
Food Operation License (食品經營許可證)	Chengdu Guoquan Shihui Commercial Management Co., Ltd. (Wuhou District branch)	November 9, 2027
Food Operation License (食品經營許可證)	Chengdu Guoquan Shihui Commercial Management Co., Ltd. (High-tech Industrial Development Zone branch)	October 24, 2027
Food Operation License (食品經營許可證)	Zhengzhou Guoquan Shihui Internet Technology Co., Ltd. (International Trade store)	February 16, 2028

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period, we were not involved in any material lawsuits.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date. The summary below sets out incidents of historical non-compliance with applicable regulations during the Track Record Period. Our Directors believe that these non-compliance incidents did not have any material operational or financial impact on us.

New Production Facilities for Heyi Plant

In 2021, we began the construction of our new production line for beef products on a parcel of land to which we own land use right in Luyi County, Henan Province, for our Heyi Plant. During the Track Record Period, three buildings of the production facilities were put into operation upon completion without the fire protection acceptance filings (消防驗收備案) and the as-built acceptance filings (竣工驗收備案) as required by applicable PRC laws and regulations. The as-built acceptance filings serve as the proof of completion of required inspection and receipt of approvals from relevant authorities for the use of the buildings. Given that the remaining part of the production facilities were under construction, we were unable to obtain the as-built acceptance filings for the three buildings separately. As of the Latest Practicable Date, we had completed the construction and obtained the fire protection acceptance filings and the as-built acceptance filings for such production facilities.

In addition, we have obtained confirmations from the competent governmental authorities, that they have not imposed any administrative penalty or initiated any investigation against us during the Track Record Period. Such governmental authorities were the Housing and Urban-Rural Development Bureau of Luyi County (鹿邑縣住房和城鄉建設局), the Luyi Branch of Zhoukou Municipal Bureau of Ecology and Environment (周口市生態環境局鹿邑分局) and the Fire Station of Luyi County (鹿邑縣消防救援大隊). We have also conducted interviews with and obtained confirmations from the relevant local authorities of Luyi County, which confirmed that we will not be subject to administrative penalties due to our use of the three buildings without the required fire protection acceptance filings and the as-built acceptance filings during the Track Record Period. These local authorities of Luyi County were the Housing and Urban-Rural Development Bureau of Luyi County (鹿邑縣住房和城鄉建設局), the Luyi Comprehensive Administrative Law Enforcement Team of Zhoukou Municipal Bureau of Ecology and Environment (周口市生態環境局鹿邑綜合行政執法大隊) and the Management Committee of Advanced Manufacturing Development Zone in Luyi County (鹿邑縣先進製造業開發區管理委員會). As advised by our PRC Legal Advisor, the relevant local authorities of Luyi County are the competent government authorities in charge of construction projects where Heyi Plant is located and has the power to supervise and administrate the as-built acceptance filings and fire protection acceptance filings procedures. Based on such confirmations and the interviews, our PRC Legal Advisor is of the view that it is unlikely that the relevant governmental authorities will impose a material administrative penalty on us due to our use of the three buildings before completing the required fire protection acceptance filings and the as-built acceptance filings during the Track Record Period.

To prevent future non-compliances with respect to relevant construction laws and regulations, we have implemented and enhanced internal control measures, which include (i) we will obtain the requisite licenses and permits (including but not limited to as-built acceptance fillings and fire protection acceptance filings) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings; (ii) we will seek our PRC Legal Advisor's opinion on the issues relating to the compliance of construction laws and regulations; (iii) we have established a set of policies and procedures to obtain relevant permits for acceptance, including but not limited to construction land use planning permit and construction project planning permit, construction permit; and (iv) our legal department and engineering department will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

Social Insurance and Housing Provident Funds

During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full, primarily due to our large labor force and relatively high mobility, the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such funds. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB14.0 million, RMB24.7 million, RMB39.4 million and RMB40.9 million as of December 31, 2020, 2021, 2022 and April 30, 2023, respectively. Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As a result, in 2020, 2021, 2022 and the four months April 30, 2023, we made provisions of RMB6.5 million, RMB10.7 million, RMB14.7 million and RMB1.5 million, respectively in respect of the estimated shortfall in social insurance plans and housing provident fund contributions.

Our Directors believe that the aforementioned issue would not have a material and adverse effect on our business and results of operations, considering that (i) as of the Latest Practicable Date, we had not received any administrative penalty, rectification order imposed by competent authorities in PRC, or any material compliant from our employees concerning their payment of social insurance and housing provident funds; and (ii) proper provisions have been made in light of the circumstances. Based on the foresaid (i) and (ii), and assuming that (a) there is no material change to current PRC laws and regulations and the practice in policy implementation and inspection of local governments in connection with the aforementioned issue, and (b) if we make contributions to social insurance and housing provident funds upon the requests from competent authorities in a timely manner, our PRC Legal Advisor is of the view that, the likelihood that we will be subject to a material administrative penalty by the relevant competent social insurance and housing provident fund authorities is remote.

During the Track Record Period, certain of our PRC subsidiaries engaged third-party human resource agencies to pay social insurance premium and housing provident funds for certain of our employees in certain location where they work. The incidents happened primarily because certain of our subsidiaries that enter into employment contracts with such employees have their registered addresses in cities that are different from where these employees actually worked, hence paying social insurance premiums or housing provident funds for them locally through third-party human resource agencies according to the preference of such employees.

Pursuant to the arrangements between the relevant subsidiaries and such third-party human resource agencies, the human resource agencies are required to pay social insurance premiums and housing provident funds for our relevant employees in a timely manner. The third-party human resource agencies have confirmed in writing that they have paid such contributions. Despite the agreements between us and the third-party human resource agencies, if such agencies fail to pay the social insurance premiums or housing provident funds for and on behalf of our employees as they agreed or if such arrangements are challenged by government authorities, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. As advised by our PRC Legal Advisor, considering the facts stated above, the risk of us being subject to material penalties due to the above-mentioned arrangements with third-party human resource agencies is remote.

We have also conducted interviews with some of the local authorities in charge of social insurance and housing provident funds (the "**Relevant Authorities**"), which confirmed that normally the relevant entities would not be penalized for not making contributions to social insurance and housing provident funds for their employees in full and would not be ordered to rectify for using third-party human resources agencies to make contributions. The Relevant Authorities were the Human Resources and Social Security Bureau of Yuhua District, Shijiazhuang (石家莊市裕華區人力資源和社會保障局), the Human Resources and Social Security Bureau of Luyi County (鹿邑縣人力資源和社會保障局), the Zhengzhou Social Insurance Center (鄭州市社會保險中心), the Shijiazhuang Housing Provident Fund Management Center (石家莊住房公積金管理中心) and the Housing Fund Management Center of Luyi County (鹿邑縣住房公積金管理中心). As advised by our PRC Legal Advisor, the Relevant Authorities are the competent authorities in charge of the social insurance and housing provident funds in the cities where our relevant operating entities are located.

We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance:

- We have enhanced our human resources policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

- we have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis in order to ensure that we have made these payments for our employees in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities. The designated human resources personnel shall prepare the written records of the relevant payments on a monthly basis and submit the same to the heads of our human resources and finance departments for review;

- we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- we will strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds.

- we will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

As of the Latest Practicable Date, we were still in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base, which also requires additional contribution from our employees. Certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds that are required to be borne by the employees, and certain of our employees prefer to participate in the local social insurance and housing fund schemes in their respective place of residency. Accordingly, we have begun to work with our employees to contribute social insurance and housing provident fund using the basis and in a manner in accordance with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, according to its consultations with competent governmental authorities in Shanghai and Henan where majority of our employees are located, the payment basis can only be adjusted and submitted to these authorities in a designated month of a fiscal year, and the next time window for making such adjustments is expected to be in July 2024 for Shanghai and Henan. These government authorities were the Department of Human Resources and Social Security of Henan Province (河南省人力資源和社會保障廳), the House Fund Management Center for Departments under Henan Province (河南省省直機關住房資金管理中心), the Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) and the Shanghai Provident Fund Management Center (上海市公積金管理中心). As a result, our subsidiaries in these regions can only undertake rectification measures and adjust the payment basis within the designated time window. We undertake to fully rectify and make full contributions of social insurance premiums and housing provident funds as soon as practicable, and disclose the status in our annual report(s) in due course. We also undertake to make timely payments for the shortfalls and overdue charges and take practical measures to mitigate the practice of engaging third party agencies to make contributions, as soon as requested by the competent government authorities.

Management of the Use of Personal Bank Accounts

Two PRC subsidiaries of our Company, namely Henan Guoquan and Zhengzhou Guoquan (the "**Relevant Subsidiaries**"), used four personal bank accounts (the "**Personal Bank Accounts**") opened under the names of Mr. Li Xinhua, who is one of our Controlling Shareholders, and an employee of our Group (the "**Personal Bank Account Owners**") mainly to receive payments from the Relevant Subsidiaries' franchisees and make payments to suppliers during the Track Record Period (the "**Transactions**") for convenience (the "**Use of Personal Bank Accounts**"). The Relevant Subsidiaries had ceased the Use of Personal Bank Accounts since May 1, 2020. For the first four months in 2020, the payments received from our franchisees through the Personal Bank Accounts were approximately RMB1.7 million, representing 0.06% of the total revenue of our Group in 2020, while the payments made to our suppliers through the Personal Bank Accounts were approximately RMB11.6 million, representing 0.36% of the total purchase amount of our Group in 2020, which is an immaterial amount. We recorded the Transactions in 2020 in the Relevant Subsidiaries' books and record as well as their respective 2020 annual tax return. All the remaining balance in the Personal Bank Accounts has been transferred back to the corporate bank account of the Relevant Subsidiaries by the end of April 2020.

During the Track Record Period and up to the Latest Practicable Date, there had been no administrative penalties imposed by the relevant government authorities with respect to the Use of Personal Bank Accounts. We have conducted interviews with the Taxation Bureau of Zhengzhou High-tech Industrial Development Zone under the State Taxation Administration (國家稅務總局鄭州高新技術產業開發區稅務局), which confirmed that we would not be penalized. As advised by our PRC Legal Advisor, the tax authority is the competent authority in charge of the tax of Henan Guoquan and Zhengzhou Guoquan. Based on the compliance certificates from and regulatory interview conducted with the competent tax authority, our PRC Legal Advisor is of the view that (i) with respect to the Use of Personal Bank Accounts, the Relevant Subsidiaries do not have any unpaid taxes, nor are subject to surcharges or penalties; (ii) the Use of Personal Bank Accounts does not constitute a material non-compliance of the Relevant Subsidiaries under the PRC laws and regulations; and (iii) the risk that relevant regulatory authorities would impose any material administrative penalties on the Relevant Subsidiaries for the Use of Personal Bank Accounts is remote.

Compliance Status of Franchised Stores

As of April 30, 2023, 735 of 9,838 franchised stores, representing approximately 7.5% of our total franchised stores, failed to obtain all necessary permits and licenses for business operations as of the same date. The revenue attributable to these 735 stores for the four months ended April 30, 2023 amounted to RMB122.7 million, which represents 5.9% of our total revenue of the same period.

Among these 735 franchised stores,

- 300 stores did not obtain all necessary permits and licenses, which may be due to (i) a small number of our franchisees lacked compliance awareness, (ii) missing documentations, or (iii) inability to obtain such permits and licenses timely during the COVID-19 pandemic. As a result, these stores were unable to provide valid proof of compliance for our record; and

- 435 stores provided insufficient or incomplete proof of compliance, which were mainly due to the following reasons: (i) incomplete materials submitted, which did not demonstrate that all necessary permits and licenses has been obtained; and (ii) certain materials with deficiencies (for instance, name of entities were not consistent across all permits and licenses, because certain franchisees that operate as mom-and-pop business and licenses were registered under different family members).

Franchisees are responsible for obtaining all the licenses and permits required for operating a franchised store. Our designated personnel actively follow up with these stores in relation to their compliance status. According to the franchise agreements, our Group shall not be held liable for any losses arising from the franchisees' non-compliance in this regard. In event the relevant competent government authorities impose any retrospective monetary penalty due to our non-compliant franchised stores, we will not be liable for the penalty according to the franchise agreements. Furthermore, we are entitled to suspend our business relationships with such franchisees until they have rectified their non-compliance. We had suspended the business relationships with certain franchisees that were not cooperative in rectifying their non-compliant status during the Track Record Period.

According to the franchise agreement, we reserve the right to terminate the franchise agreement in case of any material non-compliance by a franchisee. We undertake to require all of the abovementioned franchisees to rectify and obtain the food operation licenses before the issuance of this Prospectus. Failure to do so by any of these franchisees, we further undertake to require them to suspend their business operations until they have obtained all necessary permits and licenses for business operations.

In addition, 643 franchised stores, representing approximately 6.5% of our total franchised stores, did not obtain the food operation licenses but obtained other relevant licenses in relation to food operations, such as the Henan Province Small-scale Food Business Registration Certificate (河南省食品小經營店登記證) in Henan and Food Stall Filing Record (食品小攤點備案卡) in Hebei. This was due to the varied requirements and practices adopted by local governmental authorities of different cities in China where the franchised stores are located. The revenue attributable to these 643 stores for the four months ended April 30, 2023 amounted to RMB123.2 million, which represents approximately 5.9% of our total revenue of the same period. As advised by our PRC Legal Advisor, in accordance with the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) and according to its consultations with the China Light Industry Enterprises Investment

& Development Association (中國輕工企業投資發展協會) of the China National Light Industry Council (中國輕工業聯合會), the current business operations of these stores will not be affected by holding such relevant licenses in relation to food operations. These franchised stores are in all material respects in compliance with relevant laws and regulations in relation to food operations, and thus the risk of mandatory store closure due to holding such relevant licenses is remote.

To better monitor our franchised stores to comply with the relevant laws or regulations going forward, we have consulted with our independent internal control consultant and further enhanced our franchised store's internal control measures and procedures. We have implemented franchising compliance policy to govern the business operation of franchisees and requires the franchisees to obtain all required licenses and certificates in the course of their operations. We undertake that all new stores to be opened in the future will not commence operations unless all necessary permits and licenses for business operations have been obtained. We have also designated personnel to monitor the legal and regulatory requirements in relation to the business operations of the franchised stores, and communicate with franchisees on a regular basis in relation to their business operation and compliance status. We also plan to conduct ad hoc inspection on franchised stores and closely monitor the compliance status of our franchised stores, including the renewal of any expiring permits and licenses.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Yang, Mr. Meng and Mr. Li, by virtue of the concert party agreement among them, were collectively interested in approximately 33.01% of our total issued share capital through Guoquan Industry (Shanghai) Co. Ltd. (鍋圈實業(上海)有限公司) ("**Guoquan Industry**"), and Mr. Yang was also interested in approximately 12.42% and 3.21% of our total issued share capital through Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) (上海鍋小圈企業管理中心(有限合夥)) ("**Guoxiaoquan EM**[1]") and Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) (上海鍋小圈農業科技服務中心(有限合夥)) ("**Guoxiaoquan Tech**[2]") respectively. As such, Mr. Yang, Mr. Meng and Mr. Li were indirectly interested in a total of approximately 48.64% of our total issued share capital.

On July 16, 2019, Mr. Yang, Mr. Meng and Mr. Li entered into a concert party agreement, which was supplemented on March 1, 2023, pursuant to which Mr. Meng and Mr. Li have agreed and confirmed that during the period starting from July 16, 2019 to the date when they cease to be our direct or indirect Shareholder, they have acted and will continue to act in concert in respect of the management and operations of our Company by aligning their votes in accordance with Mr. Yang's decisions when exercising their rights as shareholders of the Company prior to December 2021 and as shareholders of Guoquan Industry since December 2021 when their direct interests in the Company were reflected at the level of Guoquan Industry. See the section headed "History, Development and Corporate Structure — The Concert Party Group" in this prospectus for details.

Immediately following the completion of the Global Offering (assuming the Over-allotment Option are not exercised), Mr. Yang, Mr. Meng and Mr. Li will be entitled to exercise or control the exercise of an aggregate of approximately 47.42% of the voting power at general meetings of our Company. Therefore, Mr. Yang, Mr. Meng, Mr. Li, Guoquan Industry, Guoxiaoquan EM and Guoxiaoquan Tech will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing, taking into consideration the factors below.

Management Independence

Our Board consists of 11 Directors, namely four executive Directors, three non-executive Directors and four independent non-executive Directors. Mr. Yang, one of our Controlling Shareholders, is an executive Director, chairperson of the Board and chief executive officer. Mr. Meng, one of our Controlling Shareholders, is also an executive Director.

Notes:

(1) Guoxiaoquan EM is owned as to i) 80% by Mr. Yang as its sole general partner and ii) 20% by Mr. An as its limited partner, each an executive Director of our Company. As Mr. An is not involved in the management of Guoxiaoquan EM, has no concert party arrangement with Mr. Yang and is only entitled to the passive economic interest in Guoxiaoquan EM, Mr. An should not be treated as a controlling shareholder of our Company.

(2) Guoxiaoquan Tech is owned as to i) 44.09% by Mr. Yang as its sole general partner; ii) 0.6% by Mr. Li as its limited partner and iii) 55.31% by three Independent Third Parties as its limited partners. As these three Independent Third Parties are not involved in the management of Guoxiaoquan Tech, have no concert party arrangement with Mr. Yang and are only entitled to the passive economic interest in Guoxiaoquan Tech, thus they should not be treated as controlling shareholders of our Company.

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders from a management perspective for the following reasons:

(a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus;

(b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

(c) we have four independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the Listing as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to our Controlling Shareholders and their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which any Shareholders or any of their respective associates has a material interest, the interested Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors, Supervisors and Senior Management" in this prospectus;

(e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(f) we have appointed Somerley Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflicts of interest, and to protect minority Shareholders' interests after the Listing.

OVERVIEW

Upon Listing, certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Name of our connected persons	Connected relationship
Yunshengchu Commercial Management (Shanghai) Co., Ltd. (雲生處商業管理(上海)有限公司) ("**Yunshengchu**")	Yunshengchu is wholly owned by Ms. Wang Fangfang (王方方), the spouse of Mr. An Haolei (our Director), and therefore a connected person of our Company.
Shanghai Shengxian Food Co., Ltd. (上海盛鮮食品有限公司) ("**Shanghai Shengxian**")	Shanghai Shengxian is held as to (i) 38.50% by Mr. Yang Ran (楊冉), a supervisor and the substantial shareholder of Luyi Heyi, and (ii) 30.00% by Mr. Liu Yawei (劉亞威), the general manager of Luyi Heyi, and therefore a connected person of our Company at the subsidiary level.

OUR CONNECTED TRANSACTIONS

Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
Fully exempt continuing connected transaction			
Procurement of consumer goods	Yunshengchu	14A.76	N/A
Non-exempt continuing connected transaction			
Procurement of beef and lamb products	Shanghai Shengxian	14A.35, 14A.101	Announcement

(A) Fully Exempt Continuing Connected Transaction

1. Procurement of consumer goods

We procure certain consumer goods, such as tea, from Yunshengchu from time to time for our daily consumption. Such transaction is made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Accordingly, such transaction will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Non-Exempt Continuing Connected Transaction (Subject to Reporting, Annual Review and Announcement Requirements)

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 1% but less than 5% on an annual basis. As (i) Shanghai Shengxian is a connected person of our Company at the subsidiary level; (ii) our Board (including all independent non-executive Directors) has approved the procurement agreement with Shanghai Shengxian and the transactions contemplated thereunder; and (iii) all independent non-executive Directors have confirmed that the terms of the procurement agreement with Shanghai Shengxian are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole, the transactions under the procurement agreement with Shanghai Shengxian will be subject to the reporting, annual review and announcement requirements, but will be exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

2. Procurement of beef and lamb products

Parties: Shanghai Shengxian and our Company

Principal terms

On October 16, 2023, we have entered into a procurement framework agreement with Shanghai Shengxian (the "**Procurement Framework Agreement**"), pursuant to which our Group agreed to procure beef and lamb products, such as whole sirloin steak, thinly sliced snowflake beef and thick sliced marbled beef, from Shanghai Shengxian for a term commencing on the Listing Date and ending on December 31, 2025, subject to renewal by mutual consent.

Subject to the terms of the Procurement Framework Agreement, the Group will enter into specific agreements or place purchase orders with Shanghai Shengxian to set out specific terms and conditions. The consideration payable by the Group under the Procurement Framework Agreement will be paid at the time and according to the method to be agreed in specific agreements or purchase orders.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reasons and benefits for the transactions

Shanghai Shengxian is a stable and reliable supplier of our Group. We established business relationship with Shanghai Shengxian since November 2020. In addition, our Directors consider that the quality and quantity of beef and lamb products offered by Shanghai Shengxian can satisfy our commercial needs, especially the quality standards and the research and development of new products such as thick sliced marbled beef, a new taste product that we collaboratively developed during the Track Record Period.

Pricing basis

The prices of transactions contemplated under the Procurement Framework Agreement shall be determined on an arm's length basis with reference to the prevailing market price, but in any event shall not be higher than the prices of products that can be procured from Independent Third Parties by the Group.

The Directors consider that the above procedures can ensure that the transactions under the Purchasing Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders.

Historical figures, annual caps and basis of caps

Shanghai Shengxian became our connected person after our acquisition of Luyi Heyi in August 2021. The historical connected transaction amounts contemplated under the Procurement Framework Agreement were RMB64.5 million, RMB113.6 million and RMB31.9 million for the years ended December 31, 2021, 2022 and the four months ended April 30, 2023, accounting for approximately 1.75%, 1.79% and 2.40%, respectively, of our Group's total purchase over the same periods.

Our proposed annual caps of the transactions contemplated under the Procurement Framework Agreement for the years ended December 31, 2023, 2024 and 2025 are RMB110 million, RMB110 million and RMB110 million, respectively.

In arriving at the above annual caps, the Directors have considered, among other things, the following factors:

i. Historical transaction amounts during the Track Record Period for the procurement of beef and lamb products from Shanghai Shengxian by the Group;

ii. The expected decrease of purchase on certain beef products as the Company may produce by itself; and

iii. The expected increase in our demand due to the potential growth of sales of our stores as well as our business expansion plan

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transaction under the subsection headed "(B) Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the Listing.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that the announcement requirements thereof immediately after the Listing would be impractical and unduly burdensome, and would lead to unnecessary administrative costs to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, waivers exempting us from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "(B) Non-exempt Continuing Connected Transactions (subject to reporting, annual review and announcement requirements)" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and are fair and reasonable and in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and are fair and reasonable and in the interests of the Company and its shareholders as a whole; and the proposed annual caps are fair and reasonable and in the interests of the Group's shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

- When considering any renewal or revisions to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreements to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors comprises of 11 Directors, including four executive Directors, three non-executive Directors and four independent non-executive Directors as at the prospectus date. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors:

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Key responsibilities	Relationship with Directors, Supervisors and senior management
Executive Directors						
Mr. Yang Mingchao (楊明超先生)	53	Founder, chairperson of the Board, executive Director and chief executive officer	July 2019	January 2015	Responsible for the overall business strategies and operations of our Group, and serving as the chairperson of the Nomination Committee	None
Mr. Meng Xianjin (孟先進先生)	42	Co-founder, executive Director and executive vice president	October 2019	January 2015	Responsible for the market development and store management of our Group	None
Mr. An Haolei (安浩磊先生)	39	Executive Director and vice president	March 2020	July 2018	Responsible for the capital market and IT department management of our Group	None
Ms. Luo Na (羅娜女士)	41	Executive Director and vice president	July 2020	March 2017	Responsible for the product chain management of our Group	None
Non-executive Directors						
Mr. Yi Jiayu (衣家宇先生)	41	Non-executive Director	October 2019	October 2019	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Key responsibilities	Relationship with Directors, Supervisors and senior management
Mr. Zeng Xinghai (曾興海先生)	45	Non-executive Director	August 2022	August 2022	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None
Mr. Liu Zhengzheng (劉錚錚先生)	31	Non-executive Director	September 2023	September 2023	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Independent Non-executive Directors						
Mr. Zeng Xiaosong (曾曉松先生)	49	Independent non-executive Director	March 2023 (effective from the prospectus date)	March 2023	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Remuneration Committee and a member of the Nomination Committee	None
Ms. Yu Fang Jing (郁昉瑾女士)	45	Independent non-executive Director	March 2023 (effective from the prospectus date)	March 2023	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as a member of the Remuneration Committee and the Audit Committee	None

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Mr. Li Jianfeng (李劍峰先生)	40	Independent non-executive Director	March 2023 (effective from the prospectus date)	March 2023	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as a member of the Audit Committee and the Remuneration Committee	None
Mr. Shi Kangping (施康平先生)	47	Independent non-executive Director	March 2023 (effective from the prospectus date)	March 2023	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Audit Committee and a member of the Nomination Committee	None

Executive Directors

Mr. Yang Mingchao (楊明超先生), aged 53, is our founder, chairperson of the Board, executive Director and chief executive officer. He is primarily responsible for the overall business strategies and operations of our Group.

Mr. Yang founded our Group in January 2015 and has been working in our Company and our certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since January 2015, where he has been working as the chairman; our Company since July 2019, where he has been serving as the Director; Shanghai Guoquan Shihui Commercial Management Co., Ltd. (上海鍋圈食匯商業管理有限公司) since June 2020, where he has been serving as a director; Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司) since August 2021 and Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司) since November 2022, where he has been serving as the chairman. Prior to joining our Group, Mr. Yang worked as a core employee and held 30% of the equity interest in Zhengzhou Heilaopo Catering Management Co., Ltd. (鄭州市黑老婆餐飲管理諮詢有限公司) from January 2006 to July 2010.

Mr. Yang received a bachelor's degree in Chinese Literature from Zhengzhou University (鄭州大學) in the PRC in June 1994.

Mr. Meng Xianjin (孟先進先生), aged 42, is our co-founder, executive Director and executive vice president. He is primarily responsible for the market development and store management of our Group.

Mr. Meng co-founded our Group with Mr. Yang in January 2015, and has been working in our Company and our certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since January 2015, where he has been serving as a vice president; Zhengzhou Guoquan Shihui Network Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司) since February 2017, where he has been serving as the director; Shaanxi Guoquan Shihui Commercial Management Co., Ltd. (陝西鍋圈食匯商業管理有限公司) since August 2019, where he has been serving as the director; Beijing Guoquan Shihui Commercial Management Co., Ltd. (北京鍋圈食匯商業管理有限公司) and Nanjing Guoquan Shihui Commercial Management Co., Ltd. (南京鍋圈食匯商業管理有限公司) since August 2019, where he has been serving as the supervisor; and our Company since October 2019, where he has been serving as the Director.

Mr. Meng is currently studying in the 26th session of the China Chain Enterprise CEO Training Program (中國連鎖企業CEO研修計劃第26期) at the Lifelong Education College of Shanghai Jiao Tong University (上海交通大學終身教育學院).

Mr. An Haolei (安浩磊先生), aged 39, is our executive Director and vice president. He is primarily responsible for the capital market and IT department management of our Group. Mr. An joined our Group in July 2018 as vice president and has served as executive Director and vice president since March 2020. He currently serves as a director at a number of subsidiaries within our Group.

Prior to joining our Group, Mr. An served as a general manager in Zhengzhou Anzhong Enterprise Management Consulting Co., Ltd. (鄭州安眾企業管理諮詢有限公司) from January 2012 to May 2015, and a general manager in Henan Kangzhiyuan Trading Co., Ltd. (河南康之源商貿有限公司) from May 2015 to July 2018.

Mr. An is currently pursuing a junior college diploma in the Open University of China (國家開放大學).

Ms. Luo Na (羅娜女士), aged 41, is our executive Director and vice president. She is primarily responsible for managing the product chain of the Group.

Since March 2017, Ms. Luo has been working in our Company and our certain subsidiaries, including Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) since March 2017 and our Company since July 2020, where she has been working as the director of product center; Luyi County Wanlai Wanqu Food Co., Ltd. (鹿邑縣丸來丸去食品有限公司) and Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司) since August 2021, where she has been serving as the director.

Ms. Luo is currently pursuing a junior college diploma in business administration in Henan Normal University (河南師範大學) in the PRC.

Non-executive Directors

Mr. Yi Jiayu (衣家宇先生), aged 41, is our non-executive Director.

Mr. Yi has approximately 15 years of experience in investment and management. From September 2014 to November 2017, Mr. Yi worked at CICC ALPHA (Beijing) Private Equity Investment Fund Management Co., Ltd. (中金甲子(北京)私募投資基金管理有限公司). Since 2018, Mr. Yi has been working in Shanghai Buhuo Private Equity Investment Fund Management Co., Ltd. (上海不惑私募基金管理有限公司) with his current position as a partner.

Mr. Yi graduated from Shandong Jianzhu University (山東建築大學) in the PRC with a major in computer science and technology in July 2004. He further obtained a master's degree in computer application in Beijing University of Chemical Technology (北京化工大學) in the PRC in July 2008.

Mr. Zeng Xinghai (曾興海先生), aged 45, is our non-executive Director.

Mr. Zeng has extensive experience in financial management. Mr. Zeng worked in PricewaterhouseCoopers Zhongtian Shenzhen Branch (普華永道中天會計師事務所深圳分所) from July 2001 to September 2010. From October 2010 to May 2013, Mr. Zeng served in China Merchants Fund Management Co., Ltd. (招商基金管理有限公司). From October 2015 to July 2017, Mr. Zeng worked in CMB Financial Holdings (Shenzhen) Co., Ltd. (招銀金融控股(深圳)有限公司). Since August 2017, Mr. Zeng has been working in CMB International Capital Management (Shenzhen) Co., Ltd. (招銀國際資本管理(深圳)有限公司) with his current position as a managing director, engaged in private equity investment business. Since July 2016, Mr. Zeng has been the legal representative of Shenzhen Hongshu Growth Investment Management Co., Ltd. (深圳紅樹成長投資管理有限公司), engaged in private equity investment business. Mr. Zeng has been a director in Shenzhen Aiper Intelligent Co., Ltd. (深圳市元鼎智能創新有限公司) since December 2022.

Mr. Zeng has been a non-practising associate of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) (CICPA) since February 2011, and a member of the Association of Chartered Certified Accountants (ACCA) (特許公認會計師公會) since November 2008.

Mr. Zeng obtained a bachelor's degree in financial management from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2001, and an MBA degree in finance and strategy from Rotman School of Management, University of Toronto in Canada in June 2015.

Mr. Liu Zhengzheng (劉錚錚), aged 31, is our non-executive Director.

Mr. Liu has extensive experience in the capital market. From November 2014 to March 2017, Mr. Liu worked in Henan Jiarui Investment Co., Ltd. (河南佳瑞投資有限公司). From April 2017 to March 2023, Mr. Liu served as the board secretary of Henan Huahuaniu Dairy Group Co., Ltd. (河南花花牛乳業集團股份有限公司), primarily responsible for its initial public offering. Since April 2023, Mr. Liu has been working as a manager in the securities department in Sanquan Food Co., Ltd. (三全食品股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002216), primarily responsible for the information disclosure and investor relationship management. Since August 2023, Mr. Liu has been the board secretary of Suanquan Food Co., Ltd..

Mr. Liu obtained his bachelor's degree in Finance from Henan University of Economics and Law (河南財經政法大學) in the PRC in July 2013 and a master's degree in Accounting and Finance from University of London in United Kingdom in November 2014.

Independent Non-executive Directors

Mr. Zeng Xiaosong (曾曉松先生), aged 49, was appointed as an independent non-executive Director in March 2023, effective from the prospectus date.

Mr. Zeng has extensive experience in finance and investments. Mr. Zeng worked at Bank of China's New York Branch (中國銀行紐約分行) from February 1999 to July 2005 with his last position as a vice president in the Corporate Banking Department. He joined J.P.Morgan (摩根大通投資銀行) in July 2005 as an equity analyst of the Equities Research Department before moving to the investment banking department covering financial institutions. From August 2008 to September 2022, Mr. Zeng worked at Greenwoods Asset Management Hong Kong Limited (景林資產管理香港有限公司), a private fund manager focusing on the management of Greater China investments, with his last position as the partner and chief executive officer. Mr. Zeng started and served as the chairman of Arcadia Fund Management Group Asia Limited (奧愷基金管理集團亞洲有限公司) in December 2022 to be focused on investments into listed and to-be-listed Asian companies. He is also a director of its parent company, Arcadia Fund Management Group Limited (奧愷基金管理集團有限公司), and its affiliated company, Arcadia Fund Management GP Limited (奧愷基金管理普通合夥人有限公司).

Mr. Zeng has been a holder of the Chartered Financial Analyst (CFA) designation (特許金融分析師) since 2003. And he is a Vice Chairman of the China Committee of the Hong Kong Venture Capital and Private Equity Association (HKVCA) (香港創業及私募投資協會).

Mr. Zeng graduated from Wuhan University (武漢大學) in the PRC with a major in International Finance in July 1995, and then studied in the International Finance program at the Graduate School of the People's Bank of China (中國人民銀行研究生部) from 1995 to 1997. Mr. Zeng graduated with a Master of Science degree in Accounting & Finance from the London School of Economics (LSE) in United Kingdom in August 1998, where he received the Robert Fleming scholarship.

Ms. Yu Fang Jing (郁昉瑾女士), aged 45, was appointed as an independent non-executive Director in March 2023, effective from the prospectus date.

Ms. Yu has professional legal experience in Hong Kong capital market for almost 20 years. From August 2003 to October 2010, Ms. Yu worked in the Hong Kong and Beijing Offices in Freshfields Bruckhaus Deringer LLP (富而德律師事務所), with her last position as a senior associate. From February 2011 to April 2018, Ms. Yu worked in the Beijing and Shanghai Offices in Clifford Chance LLP (高偉紳律師事務所) with her last position during the above period as a partner. Ms. Yu then served as a partner in the Hong Kong Office of Tian Yuan Law Firm from September 2019 to February 2021, and as a partner in the Hong Kong Office of Paul Hastings LLP (普衡律師事務所) from March 2021 to November 2022. Since December 2022, Ms. Yu has been in Mont Avenir Capital Limited (未來金融有限公司) as an in-house counsel and a managing director.

Ms. Yu has been a member of the law society of Hong Kong since 2006 and she was qualified as a solicitor of Hong Kong in December 2005.

Ms. Yu obtained the bachelor's degree in Law from University of New South Wales in Australia in January 2002.

Mr. Li Jianfeng (李劍峰先生), aged 40, was appointed as an independent non-executive Director in March 2023, effective from the prospectus date.

Mr. Li has over 15 years' experience in the catering industry. He has been working in China Hospitality Association (the "**CHA**") (中國飯店協會) since July 2006. From July 2006 to February 2013, Mr. Li worked as the project manager in the celebrity chef working committee of the CHA, and was primarily in charge of daily work in the office. From February

2013 to February 2014, Mr. Li served as the deputy director in the training department of the CHA, primarily responsible for hotel catering training. From February 2014 to March 2022, Mr. Li worked in the hot pot special committee of the CHA with his last position as the secretary-general, and was primarily responsible for affairs in the hot pot sector. Since January 2023, Mr. Li has served as the deputy secretary-general of the CHA and the director of the Southwest Office.

Mr. Li obtained the professional qualification certificate of senior Chinese chef (level 1) (中式烹調師高級技師(一級)) granted by the Hubei Provincial Vocational Skills Appraisal and Guidance Center in the PRC (湖北省職業技能鑒定指導中心) in July 2010.

Mr. Li obtained the undergraduate diploma in biological engineering from Chengdu University (成都大學) (formerly known as Chengdu College (成都學院)) in July 2006.

Mr. Shi Kangping (施康平先生), aged 47, was appointed as an independent non-executive Director in March 2023, effective from the prospectus date.

Mr. Shi has over 20 years' experience in accounting and finance. From January 2002 to July 2005, Mr. Shi worked in PricewaterhouseCoopers LLP (普華永道會計師事務所) with his last position as consulting department manager. From July 2007 to September 2011, Mr. Shi worked in Microsoft Corporation (微軟), a company listed on NASDAQ (Nasdaq: MSFT), as a global finance manager. From September 2011 to December 2016, Mr. Shi worked in Baidu, Inc. (百度集團股份有限公司), a company listed on the Stock Exchange (9888.HK) and on NASDAQ (Nasdaq: BIDU), with his last position as the director of its financial planning and analysis department. From December 2016 to December 2017, Mr. Shi worked as the chief financial officer at Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), a company listed on the Stock Exchange (stock code: 1833.HK). From February 2018 to November 2020, Mr. Shi was the chief financial officer of Maoyan Entertainment (貓眼娛樂), a company listed on the Stock Exchange (stock code: 1896.HK). From November 2020 to June 2022, Mr. Shi was the chief financial officer of Waterdrop Inc. (水滴公司), a company listed on the New York Stock Exchange (NYSE: WDH). Since December 2018, Mr. Shi has been serving as the independent non-executive director of Life Concepts Holdings Limited (生活概念控股有限公司), a company listed on the Stock Exchange (stock code: 8056.HK). Since June 2022, Mr. Shi has been serving as the chief financial officer of Terminus Technology Group Co., Ltd. (特斯聯科技集團) in charge of financing, and accounting affairs.

Mr. Shi has been a Chartered Professional Accountant of Canada since August 2000.

Mr. Shi obtained the bachelor's degree in accounting from Tsinghua University (清華大學) in the PRC in June 1998, and a master's degree in business administration from the University of Michigan in the United States in April 2007.

In September 2021, a securities class action against, among others, Waterdrop Inc. ("**Waterdrop**") was filed in the U.S. District Court for the Southern District of New York (the "**Court**"), Sidney Sandoz, et al. v. Waterdrop Inc., et al., 1:21-cv-07683 (the "**Waterdrop Class Action**") alleging violations of the Securities Act of 1933 in relation to Waterdrop's initial public offering in May 2021 in the US (the "**Waterdrop's IPO**"). Mr. Shi served as the chief financial officer of Waterdrop from November 2020 to June 2022 and, together with certain other executives and directors of Waterdrop and the underwriters (together with Waterdrop, the "**Defendants**") of Waterdrop's IPO, was named as one of the Defendants in the case. However, Mr. Shi has not been served any associated notice or legal documents in respect of the Waterdrop Class Action. To the best of the Company's knowledge and according to published court records, the plaintiffs alleged that the Defendants, among others, failed to make adequate disclosures in connection with Waterdrop's IPO, in breach of Sections 11 and 15 of the U.S. Securities Act of 1933. Specifically, the plaintiffs alleged that Waterdrop's Registration Statement for its IPO failed to make adequate disclosures, among other, (i) increased scrutiny over internet-based insurance companies by Chinese authorities and its impact on Waterdrop's financials and business operations; (ii) the true reasons for Waterdrop's discontinuance of its mutual aid program, namely, Chinese regulators' order to discontinue; and (iii) the rapid suffering of Waterdrop accelerating operating losses in the first quarter of 2021. The complaint seeks damages allegedly suffered by the plaintiffs as a result of failure to make adequate disclosures.

Waterdrop filed a motion to dismiss on April 22, 2022. On February 3, 2023, the Court issued an order granting Waterdrop's motion to dismiss as "*the Registration Statement adequately warned investors of their risk associated with Waterdrop and its IPO, including the increase in operating costs, the regulatory regime and the closure of Mutual Aid*." The case was dismissed with prejudice. In addition, the order also verdicts that the claims against the remaining defendants (including Mr. Shi) will also be dismissed and there is no basis to find that the claims against the remaining Defendants, who have yet to be served, are distinguishable and would survive; accordingly, the case is closed.

On March 7, 2023, the plaintiffs filed a notice appealing the Court's dismissal order (the "**Appeal**") in the U.S. Court of Appeals, Second Circuit (the "**Circuit Court**"). As of the Latest Practicable Date, the Appeal is at a preliminary stage and no decision has been made by the Circuit Court.

As of the Latest Practicable Date, the Company had no basis to believe that either of the Waterdrop Class Action or the Appeal impugn the integrity and suitability of Mr. Shi to act as the Company's director, because the mere naming of an individual director as a defendant in these actions does not form a basis for doubting his integrity or suitability to discharge his duties as a director of a public company. In addition, to the best knowledge of the Company, (i) the Court ruled in favour of Waterdrop's motion and dismissed the Waterdrop Class Action; (ii) as of the Latest Practical Date, the Appeal is still at a preliminary stage and the Circuit Court has not ruled on the substance of the plaintiffs' claims; (iii) as of the Latest Practicable Date, no evidence showing, or dispositive court ruling on, Mr. Shi's personal involvement in making or directing Waterdrop to make any alleged misstatements in a manner that would raise concerns as to his character, experience, integrity and ability to discharge his duties as a director, including fiduciary duties and duties to exercise skill, care and diligence to a standard that commensurate with his position as a director of a listed company in Hong Kong; and (iv) Mr. Shi has never been served any associated notice or legal documents in respect of the Waterdrop Class Action. Taking into account all the above, the Directors are of the view that the Waterdrop Class Action and the Appeal would not affect the suitability of Mr. Shi as a Director of the Company under Rules 3.08 and 3.09.

SUPERVISORY COMMITTEE

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors:

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Ms. Zheng Min (鄭敏女士)	42	Supervisor	December 2019	January 2017	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Mr. Zhang Boyuan (張柏源先生)	27	Supervisor	February 2023	August 2019	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None
Ms. Zhang Yifan (張藝凡女士)	35	Supervisor	February 2023	August 2019	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations	None

Supervisors

Ms. Zheng Min (鄭敏女士), aged 42, is our Supervisor. Ms. Zheng joined our Group in January 2017 as an operating director responsible for franchisee management and has served as the Supervisor since December 2019.

Prior to joining our Group, Ms. Zheng worked as a regional manager in Zhengzhou Guoguo Catering Management Co., Ltd. (鄭州虢國餐飲管理有限公司) from August 2004 to March 2012.

Ms. Zheng is currently pursuing a junior college diploma in business administration in the Open University of China (國家開放大學) in the PRC.

Mr. Zhang Boyuan (張柏源先生), aged 27, is our Supervisor. Mr. Zhang joined our Group in August 2019 as an assistant of our CEO office and has served as the Supervisor since February 2023.

Prior to joining our Group, Mr. Zhang served in the army in China from September 2013 to September 2018.

Mr. Zhang obtained a junior college diploma in administrative management from the National Open University (國家開放大學) in the PRC in July 2017.

Ms. Zhang Yifan (張藝凡女士), aged 35, is our Supervisor. Ms. Zhang joined our Group in August 2019 as the chairman assistant and has served as the Supervisor since February 2023.

Prior to joining our Group, Ms. Zhang served as an editorial reporter in Zhengzhou TV Station (鄭州電視台) from October 2011 to July 2019. Also, she is concurrently serving as a director of a subsidiary within our Group.

Ms. Zhang obtained a bachelor's degree in broadcasting and hosting arts from Zhongyuan University of Technology (中原工學院) in the PRC in July 2010.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position/Title	Date of Appointment as Senior Management	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Mr. Yang Mingchao (楊明超先生)	53	Founder, chairperson of the Board, executive Director and chief executive officer	July 2019	January 2015	Responsible for the overall business strategies and operations of our Group, and serving as the chairperson of the Nomination Committee	None
Mr. Meng Xianjin (孟先進先生)	42	Co-founder, executive Director and executive vice president	October 2019	January 2015	Responsible for the market development and store management of our Group	None
Mr. An Haolei (安浩磊先生)	39	Executive Director and vice president	March 2020	July 2018	Responsible for the capital market and IT department management of our Group	None
Ms. Luo Na (羅娜女士)	41	Executive Director and vice president	July 2020	March 2017	Responsible for the product chain management of our Group	None
Mr. Xia Ni (夏霓先生)	52	Chief financial officer	January 2022	January 2022	Responsible for the financial management of our Group and in charge of the Proposed Listing	None
Mr. Wang Hui (王暉先生)	39	Director of the capital market office, Board secretary and joint company secretary	February 2023	September 2020	Responsible for capital market related work	None

For details of the biographies of Mr. Yang Mingchao (楊明超先生), Mr. Meng Xianjin (孟先進先生), Mr. An Haolei (安浩磊先生) and Ms. Luo Na (羅娜女士), see "— Board of Directors."

Mr. Xia Ni (夏霓先生), aged 52, is our chief financial officer. He is primarily responsible for the financial management of our Group and is in charge of the Proposed Listing. Mr. Xia joined our Group in January 2022.

Prior to joining our Group, Mr. Xia worked in Hong Kong Sun Hung Kai Investment Services Co., Ltd. Shanghai Representative Office (香港新鴻基投資服務有限公司上海代表處) as an analyst from January 1994. Mr. Xia worked in United Overseas Bank Limited (Shanghai branch) (新加坡大華銀行上海分行) from April 2000 to May 2001. From August 2005 to August 2007, Mr. Xia worked as a business director of investment department in Kheng Leong (Shanghai) Investment Management Co., Ltd. (慶隆(上海)投資管理有限公司). Mr. Xia joined Hebei Sifang Communication Equipment Co., Ltd. (河北四方通信設備有限公司) in August 2009 and served as the chairman assistant. He worked as the vice president (from September 2010 to March 2012) and executive director (from April 2012 to June 2017) in China Fiber Optic Network System Group Ltd. (中國光纖網絡系統集團有限公司), a company listed on the Main Board of the Hong Kong Stock Exchange in July 2011 under the stock code "3777" and delisted from the Hong Kong Stock Exchange in February 2019. From January 2018 to December 2021, Mr. Xia worked as the general manager assistant in HLA Group Corp., Ltd. (海瀾之家集團股份有限公司) (600398.SH), which is listed on the Shanghai Stock Exchange.

Mr. Xia obtained a bachelor's degree in automobile engineering from Shanghai University of Engineering Science (上海工程技術大學) in the PRC in October 1993, and a master's degree in management from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 1998. In addition, Mr. Xia completed Columbia's Chief Financial Officer Program from Columbia Business School in the United States in November 2022.

Mr. Wang Hui (王暉先生), aged 39, is our director of the capital market office and Board secretary. Mr. Wang was also appointed as a joint company secretary of our Company. He is responsible for managing capital market related work. Mr. Wang joined our Group in September 2020.

Prior to joining our Group, Mr. Wang worked in PricewaterhouseCoopers Zhongtian (普華永道中天會計師事務所) from September 2006 to August 2014 with his last position as an audit manager. From August 2014 to May 2015, Mr. Wang worked in Bayer (China) Limited (拜耳(中國)有限公司). From June 2015 to August 2016, Mr. Wang worked in Covestro Polymers (China) Co., Ltd. (科思創聚合物(中國)有限公司). From September 2016 to September 2020, Mr. Wang worked as a financial director in YANG'S DUMPLING Enterprise Management Development (Shanghai) Co., Ltd. (小楊生煎企業管理發展(上海)有限公司).

Mr. Wang has been a Certified Public Accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) (CICPA) since December 2009 (currently non-practising).

Mr. Wang obtained his bachelor's degree in mathematics and applied mathematics in East China University of Science and Technology (華東理工大學) in the PRC in July 2006.

Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus; (ii) none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules; and (iii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Wang Hui (王暉先生) was appointed as a joint company secretary of our Company in February, 2023. For details of her biography, see "— Senior Management" in this section.

Ms. Ho Yin Kwan (何燕群女士), was appointed as our joint company secretary in March, 2023. Ms. Ho has extensive experience in corporate secretarial field and has been providing corporate secretarial services to listed companies incorporated in Hong Kong and overseas. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited which is principally engaged in the provision of company secretarial services, and has assisted in discharging company secretarial responsibilities in various companies listed on The Stock Exchange of Hong Kong Limited. Ms. Ho holds a bachelor's degree in business and finance from the University of Portsmouth and a master's degree in corporate governance from the Open University of Hong Kong (currently known as Hong Kong Metropolitan University). She is also a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Shi Kangping, Ms. Yu Fang Jing and Mr. Li Jianfeng. Mr. Shi Kangping holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- examining the authenticity of financial reports of our Company and monitoring financial reporting procedures of our Company;
- examining the effectiveness of risk management and internal control system of our Company;

- ensuring that our Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of our Company's accounting and reporting personnel, and the training and budget for relevant expenditures are adequate;

- reviewing results of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances, or suspected violations of laws, rules and regulations;

- evaluating whether our Company has any major internal control defaults or deficiencies;

- evaluating the nature and severity of major risks faced by our Company in the preceding financial year;

- evaluating the performance of the audit function and personnel;

- proposing the appointment of external auditors to our Board, and reviewing the qualification, independence and performance of the external auditors; and

- regularly examining the financial reports and annual reports of our Company.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Zeng Xiaosong, Ms. Yu Fang Jing and Mr. Li Jianfeng. Mr. Zeng Xiaosong serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- formulating the overall remuneration policy and structure of our Company's Directors, Supervisors and members of the senior management, formulating proper and transparent remuneration procedures, and making suggestions to our Board;

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

- making recommendations to our Board on remuneration of individual executive Directors and member of senior management, including non-monetary benefits, pension rights and amount of compensation (including compensation for loss or termination of office or appointment);

- making recommendations to our Board on remuneration of our non-executive Directors (including independent non-executive Directors), Supervisors, advisers to the Board (if any) and committees of our Board;

- reviewing and approving compensation payable to our executive Directors, Supervisors and members of senior management for loss or termination of office or appointment, so as to ensure that such compensation is consistent with the terms of relevant contracts, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive;

- reviewing and approving compensation arrangements in relation to dismissal or removal of our Directors due to misconduct, so as to ensure that such compensation is consistent with terms of relevant contract, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive; and

- dealing with other matters as required by laws, regulations, rules, articles of our Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Yang, Mr. Shi Kangping and Mr. Zeng Xiaosong. Mr. Yang serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, composition and diversity of our Board at least once a year with reference to our Company's business activities, scale of assets and shareholding structure, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;

- making recommendations on the appointment and re-appointment of our Directors (in particular, the chairperson of our Board, and including our non-executive Directors and independent non-executive Directors) and our general manager;

- conducting search in potential suitable candidates for Directors and making recommendations to our Board on the suitable candidates;

- evaluating the independence of our independent non-executive Directors, the performance of our Directors (including both executive and non-executive Directors) and whether our Directors have devoted sufficient time in performing their duties;

- developing corporate governance standards and procedures and monitoring the implementation of such standards and procedures, and making recommendations to our Board;

- monitoring and overseeing the trainings and continuous professional development plan for our Directors, Supervisors and members of our senior management, and developing and overseeing the compliance of code of conducts and compliance handbook (if any) for our employees, Directors and Supervisors;

- formulating and evaluating our Board diversity policy, and making disclosures in the corporate governance report (which shall be included as part of our annual report) the relevant policies, including the nomination procedures adopted by the nomination committee and standards for the election of our Board members; and

- dealing with other matters that are authorized by our Board or our Articles from time to time, and other matters that are required by applicable laws from time to time.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023, the aggregate amount of remuneration paid or payable, including share-based compensation, to our Directors and Supervisors amounted to approximately RMB22.4 million, RMB17.5 million, RMB15.0 million and RMB3.0 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2023 to be approximately RMB12.6 million. The actual remuneration of Directors and Supervisors in 2023 may be different from the expected remuneration.

For each of the years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023, there were four, three, two Directors and one Director among the five highest paid individuals, respectively. The total emoluments for the remaining individuals among the five highest paid individuals amounted to approximately RMB0.8 million, RMB2.9 million, RMB8.5 million and RMB2.8 million, for the years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Yang currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Yang is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including engineering, economics, and business administration. We have four independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

So far as our Directors are aware, immediately following the completion of the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholder	Nature of Interest	Number and Class of Shares(1)	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	(%)
Mr. Yang(2)(3)	Interest held jointly with other persons	417,182,699 H Shares	23.31	15.23
	Interest held jointly with other persons	881,420,916 Domestic Unlisted Shares	92.85	32.18
Mr. Meng(3)	Interest held jointly with other persons	881,420,916 Domestic Unlisted Shares	92.85	32.18
Mr. Li(3)	Interest held jointly with other persons	881,420,916 Domestic Unlisted Shares	92.85	32.18
Guoquan Industry(2)	Beneficial owner	881,420,916 Domestic Unlisted Shares	92.85	32.18
Guoxiaoquan EM(2)	Beneficial owner	331,595,457 H Shares	18.53	12.11
Guoxiaoquan Tech(2)	Beneficial owner	85,587,242 H Shares	4.78	3.12
Famous Wealthy	Beneficial owner	228,378,866 H Shares	12.76	8.34
Chongqing Langyao	Beneficial owner	192,733,774 H Shares	10.77	7.04
Chengdu Quanyi	Beneficial owner	176,162,237 H Shares	9.84	6.43
Generation One	Beneficial owner	138,747,342 H Shares	7.75	5.07

Shareholder	Nature of Interest	Number and Class of Shares[(1)]	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
			(%)	(%)
Generation Pi HK	Beneficial owner	102,426,380 H Shares	5.72	3.74
Buyue Ertong	Beneficial owner	56,527,432 Domestic Unlisted Shares	5.95	2.06

Notes:

(1) All interests are long positions.

(2) Guoquan Industry has been owned to 55.61%, 37.07% and 7.32% by Mr. Yang, Mr. Meng and Mr. Li, respectively since its establishment. Mr. Yang is therefore deemed to be interested in the 881,420,916 Domestic Unlisted Shares held through Guoquan Industry. Guoxiaoquan EM is owned as to i) 80% by Mr. Yang as its general partner and ii) 20% by Mr. An as its limited partner, each an executive Director of our Company. Guoxiaoquan Tech is owned as to i) 44.09% by Mr. Yang as its general partner; ii) 0.6% by Mr. Li as its limited partner and iii) 55.31% by three Independent Third Parties as its limited partners. Therefore Mr. Yang is deemed to be interested in 331,595,457 H Shares and 85,587,242 H Shares converted from Domestic Unlisted Shares held through Guoxiaoquan EM and Guoxiaoquan Tech, respectively.

(3) On July 16, 2019, Mr. Yang, Mr. Meng and Mr. Li entered into a concert party agreement which was supplemented on March 1, 2023, pursuant to which Mr. Meng and Mr. Li have agreed and confirmed that during the period starting from July 16, 2019 to the date when they cease to be our direct or indirect Shareholder, they have acted and will continue to act in concert in respect of the management and operations of our Company by aligning their votes in accordance with Mr. Yang's decisions when exercising their rights as Shareholders of the Company prior to December 2021 and as shareholders of Guoquan Industry since December 2021 when their direct interests in the Company were reflected at the level of Guoquan Industry. Therefore, under the SFO, Mr. Meng and Mr. Li is deemed to be jointly interested in the Shares held by Mr. Yang in Guoquan Industry.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 2. Disclosure of Interests of Substantial Shareholders — (b) Interests of the Substantial Shareholders of Other Members of Our Group".

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

As at the Latest Practicable Date, our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

OUR SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered share capital of our Company was RMB2,670,000,000, comprising 2,670,000,000 Shares with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Immediately after the Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming that the Over-allotment Option is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Unlisted Shares	949,301,924	34.66%
H Shares converted from Domestic Unlisted Shares	1,720,698,076	62.83%
H Shares to be issued pursuant to the Global Offering	68,802,800	2.51%
Total	**2,738,802,800**	**100.00%**

The Conversion of Domestic Unlisted Shares into H Shares will involve an aggregate of 1,720,698,076 Domestic Unlisted Shares held by 23 out of 25 existing Shareholders, representing approximately 62.83% of total issued Shares of the Company upon completion of the Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic Unlisted Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised).

		Shares immediately after Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares			
Shareholders	Number of Domestic Unlisted Shares to be converted into H Shares	H Shares	Approximate Percentage	Domestic Unlisted Shares	Approximate Percentage
			(%)		*(%)*
Guoquan Industry	0	0	0.00	881,420,916	32.18
Guoxiaoquan EM	331,595,457	331,595,457	12.11	0	0.00
Famous Wealthy	228,378,866	228,378,866	8.34	0	0.00
Chongqing Langyao	192,733,774	192,733,774	7.04	0	0.00
Chengdu Quanyi	176,162,237	176,162,237	6.43	0	0.00
Generation One	138,747,342	138,747,342	5.07	0	0.00
Buyue Ertong	56,527,432	56,527,432	2.06	56,527,432	2.06
Generation Pi HK	102,426,380	102,426,380	3.74	0	0.00

Shareholders	Number of Domestic Unlisted Shares to be converted into H Shares	Shares immediately after Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Unlisted Shares into H Shares			
		H Shares	Approximate Percentage	Domestic Unlisted Shares	Approximate Percentage
			(%)		(%)
Guoxiaoquan Tech......	85,587,242	85,587,242	3.12	0	0.00
Titanium....................	58,925,347	58,925,347	2.15	0	0.00
Buhuovc Platinum	54,784,911	54,784,911	2.00	0	0.00
Suzhou Yizhong..........	48,023,538	48,023,538	1.75	0	0.00
Tiantu Fund...............	43,969,716	43,969,716	1.61	0	0.00
Chunyu Feifei............	34,139,074	34,139,074	1.25	0	0.00
Shenzhen Xintonglu ...	29,313,102	29,313,102	1.07	0	0.00
Shenzhen Tongfu........	29,313,102	29,313,102	1.07	0	0.00
Top New	26,202,115	26,202,115	0.96	0	0.00
Buqi Zhiqi.................	25,565,164	25,565,164	0.93	0	0.00
Lighthouse.................	21,110,577	21,110,577	0.77	0	0.00
Oakwise.....................	19,077,879	19,077,879	0.70	0	0.00
Mr. Wang Hongbo	12,458,065	12,458,065	0.45	0	0.00
Moutai Fund..............	0	0	0.00	11,353,576	0.41
Renzhe Buyou	3,993,027	3,993,027	0.15	0	0.00
CMB Growth.............	1,497,369	1,497,369	0.05	0	0.00
Zhuhai Gongying........	166,360	166,360	0.01	0	0.00
Total..........................	**1,720,698,076**	**1,720,698,076**	**62.83**	**949,301,924**	**34.66**

Immediately after the Global Offering and Conversion of Domestic Unlisted Shares into H Shares (assuming that the Over-allotment Option is fully exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Unlisted Shares	949,301,924	34.53%
H Shares converted from Domestic Unlisted Shares	1,720,698,076	62.59%
H Shares to be issued pursuant to the Global Offering....................................	79,123,200	2.88%
Total	**2,749,123,200**	**100.00%**

DOMESTIC UNLISTED SHARES AND H SHARES

Upon the completion of the Global Offering and the Conversion of Domestic Unlisted Shares into H Shares, the Shares will consist of Domestic Unlisted Shares and H Shares. Domestic Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Unlisted Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Unlisted Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC UNLISTED SHARES INTO H SHARES

If any of the Domestic Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of Domestic Unlisted Shares into H shares for listing and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for "full circulation" when applying for an overseas initial public offering.

We have filed with the CSRC for the conversion of 1,720,698,076 Domestic Unlisted Shares into H Shares on a one-for-one basis ("**Conversion of Domestic Unlisted Shares into H Shares**") upon the completion of the Global Offering ("**Full Circulation Filing of the Company**") and CSRC issued the filing notice in respect of the Global Offering dated September 5, 2023.

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the H Shares to be converted from 1,720,698,076 Domestic Unlisted Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

In accordance with Article 141 of the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the Global Offering will be subject to such statutory restriction on transfer within a period of one year from the Listing Date. See "History, Development and Corporate Structure – Rights of the Pre-IPO Investors".

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix V – Summary of the Articles of Association" in this prospectus.

THE CORNERSTONE PLACING

Our Company, the Joint Sponsors and the Overall Coordinators have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares at the Offer Price as set out in the tables below (the "**Cornerstone Placing**").

Based on the Offer Price of HK$5.98 per H Share, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 37,002,800 H Shares, representing approximately 53.78% of the Offer Shares and approximately 1.35% of the total issued share capital of our Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience and market position, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our Company's business and prospect. Our Company became acquainted with (i) Hengshun Group through introduction by Huatai Financial Holdings (Hong Kong) Limited, (ii) Jinding Capital in the ordinary course of operation through the business network of our Group, and (iii) COFCO Capital Fund through introduction by Central China International Capital Limited.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. The three largest public Shareholders will not hold more than 50% of the shares held in public hands at the time of the Listing in compliance with Rule 8.08(3) and Rule 8.24 of the Listing Rules. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder or connected person (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors (save for the fact that both of Hengshun Vinegar and Profit Joy are controlled by Hengshun Group), (iii) is not directly or indirectly financed by our Company, our subsidiaries, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates, and (iv) is not accustomed to taking instructions from our Company, our subsidiaries, our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources or the financial resources of its parent company or the funds under its management. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing. Save for Hengshun Vinegar, a company listed on the Shanghai Stock Exchange which has obtained the approval from its board of directors, none of the Cornerstone Investors or their holding companies is listed on any stock exchange, and each of the Cornerstone Investors has confirmed that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. All of the Cornerstone Investors have agreed that the Overall Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation." Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around November 1, 2023.

For the purpose of the respective cornerstone investments of each of Hengshun Vinegar and Jinding Capital, the relevant Offer Shares will be subscribed for and held by a PRC Qualified Domestic Institutional Investor (QDII) on its behalf on a discretionary basis, and such Cornerstone Investor will procure the relevant PRC QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement. Each of the relevant PRC QDIIs is an Independent Third Party and is not a connected client of the Overall Coordinators, any syndicate members or any distributors (as defined in paragraph 5 of the Placing Guidelines).

Based on an Offer Price of HK$5.98

				Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
Cornerstone Investor (each as defined below)	**Investment amount(1)**	**Hong Kong dollar equivalent(1) (approximate)**	**Number of Offer Shares(2)**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital(3)**	**Approximate % of the Offer Shares**	**Approximate % of the issued share capital(3)**
Hengshun Group							
Hengshun Vinegar	USD6.5 million	50.8 million	8,498,800	12.35	0.31	10.74	0.31
Profit Joy	USD3.5 million	27.4 million	4,576,400	6.65	0.17	5.78	0.17
Jinding Capital	USD10.0 million	78.2 million	13,075,200	19.00	0.48	16.53	0.48
COFCO Capital Fund	USD8.3 million	64.9 million	10,852,400	15.77	0.40	13.72	0.39
Total	USD28.3 million	221.3 million	37,002,800	53.78	1.35	46.77	1.35

Notes:

(1) The total investment amount excludes brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee and is calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering — Currency Translations".

(2) Subject to rounding down to the nearest whole board lot of 400 H Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering — Currency Translations."

(3) Immediately following the completion of the Global Offering.

(4) Any discrepancies in the table above between the total shown and the sum of the amounts listed are due to rounding.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Hengshun Group

Jiangsu Hengshun Vinegar Industry Co., Ltd. (江蘇恒順醋業股份有限公司) ("**Hengshun Vinegar**") is a company listed on the Shanghai Stock Exchange (stock code: 600305.SH) and is mainly engaged in the production and sales of vinegar and other condiments. It is controlled by Jiangsu Hengshun Group Co., Ltd. (江蘇恒順集團有限公司) ("**Hengshun Group**"), an Independent Third Party.

Profit Joy (Hong Kong) Limited (欣鑫(香港)有限公司) ("**Profit Joy**") is an investment holding company incorporated in Hong Kong and is wholly owned by Hengshun Group.

Hengshun Group is a state-owned conglomerate engaged in condiments, property development, biopharmaceutics, trading and other sectors. It is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Zhenjiang People's Government (鎮江市人民政府國有資產監督管理委員會).

2. Jinding Capital

Jinding Capital Management (Shenzhen) Co., Ltd. (錦鼎資本管理(深圳)有限公司) ("**Jinding Capital**") is an investment holding company incorporated in the PRC and is a wholly-owned subsidiary of Muyuan Industry Group Co., Ltd. (牧原實業集團有限公司) ("**Muyuan Group**"). Muyuan Group is wholly owned by Mr. Qin Yinglin and his spouse, Ms. Qian Ying, each an Independent Third Party. Muyuan Group operates an integrated pork industry chain covering feed processing, pig breeding, pig farming as well as slaughter and processing to provide safe, tasty and healthy high-quality pork products to customers. A subsidiary of Jinding Capital is one of our suppliers and we procure fruit juice from it in our ordinary course of business on normal commercial terms after arm's length negotiations.

3. Great Ceres on behalf of COFCO Capital Fund

Great Ceres Fund SPC ("**Great Ceres**") is a segregated portfolio company incorporated in February 2019 in the Cayman Islands, and the management shares of Great Ceres are ultimately controlled by COFCO Capital (Hong Kong) Company Limited ("**COFCO Capital HK**"). COFCO Capital Special Opportunity Fund 2 SP ("**COFCO Capital Fund**") is a segregated portfolio of Great Ceres, and the voting management share of COFCO Capital Fund is wholly owned by Great Ceres. COFCO Capital Fund is managed on an investment discretionary basis by COFCO Asset Management (International) Company Limited, a wholly-owned subsidiary of COFCO Capital HK. COFCO Capital HK is a company incorporated in Hong Kong in 2016, which is principally engaged in investment and is ultimately controlled by COFCO Capital Holdings Co., Ltd (中糧資本控股股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 002423.SZ) and an Independent Third Party. Certain affiliates of COFCO Capital Holdings Co., Ltd are our suppliers and we procure tomato paste, beverage and other products from them in our ordinary course of business on normal commercial terms after arm's length negotiations.

The non-voting shares of COFCO Capital Fund are held as to (i) 58.8% by COFCO Capital HK; (ii) 28.8% by Oakwise Value Fund SPC — Greater China High Yield Income SP, the management shares of which are wholly owned by its investment manager Oakwise Asset Management Limited. For background of Oakwise Asset Management Limited, see "History, Development and Corporate Structure — Pre-IPO Investments — Information about Our Major Pre-IPO Investors" for further details; and (iii) 12.4% by Sunny Empire Investment Limited, which is wholly owned by Mr. Zhang Junjie, a professional investor and an Independent Third Party.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Offer Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreement are and will be accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRSs").

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business," and elsewhere in this prospectus. For further details, see "Forward-Looking Statements."

OVERVIEW

We are the leading one-stop home meal products brand in China, ranking first among all retailers in China in 2022 in terms of retail sales value of home meal products, with a market share of 3.0% in China, according to Frost & Sullivan. We strategically entered China's home meal products market specializing in at-home hotpot and barbecue products, and were the largest at-home hotpot and barbecue product provider in China in 2022 in terms of retail sales value, according to Frost & Sullivan.

We established the largest one-stop home meal products retail store network in China as of December 31, 2022 in terms of number of retail stores, according to Frost & Sullivan. Leveraging on such store network, we offer both online and offline shopping experience and amassed over 100 million orders in 2022 alone. Our network of retail stores across China further increased from 9,221 as of December 31, 2022 to 9,844 as of April 30, 2023. We are also devoted to developing products under our proprietary brand name carrying the Guoquan Shihui logo. Our products are known for being tasty, convenient, affordable and of consistent quality. We were China's largest home meal products retailer under proprietary brands in terms of retail sales value of proprietary brand products in 2022, according to Frost & Sullivan.

As the leading one-stop home meal products brand in China, we are well positioned to capture the significant growth potential in China's home meal products market. We offer tasty, convenient and affordable home meal products underpinned by high quality food ingredients that have an immense potential for creating new and diverse products, to satisfy different dining scenarios. Under our franchise business model, we derive substantially all of our revenue from the sale of our products to franchisees, who open and operate franchised stores under our brand and sell our products to consumers. As of April 30, 2023, we established a network of 9,844 stores under our Guoquan Shihui brand in China, covering 29 provinces, autonomous regions and municipalities in China. We have also been developing online sales channels including our Guoquan APP, WeChat mini-program as well as on popular social commerce platforms such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan and Ele.me to deliver our products to consumers. Leveraging the highly efficient management and operation of our supply chain and our digitalized management system, we are able to ensure product quality and safety, as well as achieve high operational efficiency from food production to retail sales.

We experienced significant growth during the Track Record Period. Our total revenue increased by 33.5% from RMB2,964.7 million in 2020 to RMB3,957.8 million in 2021 and further by 81.2% to RMB7,173.5 million in 2022. For the four months ended April 30, 2023 we achieved a total revenue of RMB2,078.2 million. Our gross profit increased by 7.9% from RMB329.3 million in 2020 to RMB355.3 million in 2021, and further by 251.5% to RMB1,249.0 million in 2022. Our gross profit also increased by 47.7% from RMB297.5 million for the four months ended April 30, 2022 to RMB439.3 million for the same period in 2023. Our gross profit margin rate was 11.1%, 9.0%, 17.4%, 13.8% and 21.1% in 2020, 2021 and 2022 and the four months ended April 30, 2022 and 2023, respectively. Our significant scale of business operations has enabled us to capitalize on the advantages of economies of scale. This has been accomplished through the rapid expansion of our store network driving revenue growth, our focus on cost optimization, elevated brand recognition, and our efforts to further advance our digitalization initiatives. As a result of these efforts, we broke even in 2022 with a net profit of RMB241.0 million and continued to record a net profit of RMB119.6 million for the four months ended April 30, 2023.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRSs, issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income, which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 to the Accountants' Report included in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Number of Stores in Operation and Expansion of Our Store Network

Our revenue is derived primarily from the sales of home meal products to franchisees, who operate franchised stores under our brand and sell our products to end consumers. As such, our revenue is primarily driven by the scale of our store network, which mainly comprises franchised stores, and our future revenue growth depends on our ability to open new stores and expand the coverage of our store network. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our store network included 4,296, 6,864, 9,216 and 9,838 franchised stores and four, four, five and six self-operated stores, respectively. While it generally takes time for the new stores to ramp up, we believe that we are able to leverage our expanding store network to achieve economies of scale and further enhance our brand awareness.

We provide all-round support for franchisees and their franchised stores. For example, we offer a variety of services to our franchisees such as training, guidance, branding, marketing and logistical support. We also offer promotional events together with our franchisees to attract end consumers. Our regional managers supervise and provide guidance for franchisees with respect to market development and store operating strategies. As a result, our franchisees' operating capability has been continuously improving, with many of them starting from operating a single franchised store to operating multiple franchised stores and becoming entrepreneurial franchisees. As of April 30, 2023, our 9,838 franchised stores were operated by 6,045 franchisees and approximately 29.2% of our franchisees were operating more than one franchised store.

We plan to continue to grow our presence in China by expanding our geographic coverage and deepening our market penetration. We expect to open more stores in provincial capitals and municipalities, as well as penetrating into new geographic regions to cover more county-level and above cities in China, and gradually extend our store network to townships, offering quality ingredients to the general households in towns and villages across the country.

Our Ability to Capitalize on the Rapid Growth of China's Home Meal Products Market

We attribute the rapid expansion in the number of our franchised stores and substantial increase in revenue to the robust growth of China's home meal products market. During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and lockdown measures, resulting in a surge in the home dining market from 2020 to 2022, which have partially contributed to our revenue growth. This market has grown significantly from RMB147.9 billion in 2018 to RMB367.3 billion in 2022, representing a CAGR of 25.5%, according to Frost & Sullivan. The market is projected to further expand to RMB940.0 billion in 2027, representing a CAGR of 20.7% from 2022. Despite our leading position in the market, we accounted for only 3.0% of the market in 2022 in terms of retail sales value of home meal products. This indicates ample opportunities for us to enhance our market penetration. Given the expansive potential of the home meal products market, our franchised stores are structured to be agile and customer-centric. Primarily catering to community-based operations, franchised stores typically consisting of store areas between 40 to 100 sq.m. and are staffed with two to three persons and located in close proximity to residential neighborhoods. A typical franchised aims to serve approximately 3,000 households, a relatively small number considering the densely populated urban areas in China. Catering to the needs of the modern community who look for convenient and time-saving options to purchase all their food items in one place, our franchised stores provides convenient one-stop shopping destinations with both offline and online shopping options, offering a wide range of products that allows consumers to mix and match according to their tastes. This agile and customer-centric store model enables our franchisees to penetrate their neighborhood communities. By strategically enhancing store density, we intend to generate local scale benefits, thereby improving our service, increasing logistics efficiency, and augmenting our brand influence.

Our Ability to Efficiently Manage the Supply Chain and Enhance Operational Efficiency

We endeavor to vertically integrate our supply chain to improve our profitability and operational efficiency. We currently operate three production facilities in Henan Province to process and produce a certain proportion of our main products by ourselves, including beef, meatball and hotpot soup base. We believe that our in-house production capabilities will support a stable and high-volume supply of high-quality products while securing the food safety. We plan to further integrate our upstream resources through investment in or partnerships with selective and qualified food producers to achieve economies of scale and increase our profit margins and cost advantage.

In addition, we aim to have a closer cooperative relationship with our supply chain partners, in particular the third-party logistics providers. We leverage their integrated warehousing and distribution operations to create a short and highly efficient supply chain from production facilities to third-party central warehouses and further to retail stores, further enhancing efficiency. We believe that a strong distribution network will continuously empower our business expansion. Meanwhile, the proximity provided by our dense store network in turn allows for faster delivery of goods to our franchisees. During the Track Record Period, we incurred delivery charges of RMB121.0 million, RMB155.0 million, RMB257.2 million and RMB76.0 million in 2020, 2021 and 2022, and the four months ended April 30, 2023, accounting for 4.6%, 4.3%, 4.3% and 4.6% of our total cost of sales, respectively.

We are committed to digitizing and automating our supply chain to improve our operational efficiency. Our ERP system allows us to exercise monitoring the supply and demand dynamics from procurement-end to store-end as well as our inventory level. In this way, we are able to analyze and predict customers' preferences and demands, and communicate to our supply chain to timely adjust procurement plans and product developments.

Seasonality and Our Ability to Manage the Seasonal Fluctuations

Our business and operating results are subject to seasonal fluctuations because of several factors including weather, holidays and school vacations. In particular, we generate a substantial amount of our revenue from our hotpot products, which are generally more popular during cold seasons. Historically, our sales are generally higher from October to February of the following year. To offset the impacts of seasonality to a certain extent, we have enriched our product mix to include barbecue products, snacks, beverages and alcoholic drinks, among others, and expect to meet the needs for more dining scenarios such as campsite dining, casual snacking at home, fruits and light meals and solo dining.

Our Ability to Deliver Home Meal Products with Excellent Value-for-Money

Our ability to provide diverse product portfolio with high quality at affordable prices is vital to maintain our financial performance as well as market position. Our cost of sales primarily consists of cost of inventories sold, mainly including procurement of food products and raw materials. The prices of our inventory may be affected by a variety of factors, including but not limited to developments and changes in market demand and supply, seasonal shifts, climate and environmental conditions, natural disasters, and government policies. During the Track Record Period, our cost of inventories sold amounted to RMB2,514.1 million, RMB3,438.9 million, RMB5,620.8 million and RMB1,554.0 million in 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively, representing 95.4%, 95.5%, 94.9% and 94.8% of the cost of sales during those years.

We put great efforts into ensuring an adequate supply that meets our quality standards and at competitive prices. Our large procurement scale and strong brand image help strengthen our bargaining power, thereby effectively controlling our procurement costs. We have taken measures to manage costs, such as integrating multi-channel supply resources including domestic and global markets to reduce costs, entering into agreements with certain suppliers to ensure sufficient supply at agreed prices or within agreed ranges, and implementing a price-locking mechanism in some of our supply contracts. See "Business — Production, Procurement, and Suppliers — Procurement — Procurement Cost Control." Our strong cost management capabilities also enable us to sell products to our franchisees at relatively low prices to ensure their profitability, which in turn contributes to the sustainable growth of our business.

Our Ability to Carry Out Sales and Marketing Effectively and Efficiently

Effective implementation of marketing strategy is critical to our sales growth. During the Track Record Period, we launched various marketing initiatives, including the appointment of celebrity ambassador, placement of high-profile TV commercials, offline advertisement, livestream promotions, and in-store promotional events. Our selling and distribution expenses amounted to RMB220.1 million, RMB629.4 million, RMB624.6 million and RMB184.7 million, accounting for 7.4%, 15.9%, 8.7% and 8.9% of our revenue in 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively. We expect the absolute amounts of our selling and distribution expenses will continue to increase along our business growth in the future. However, as we expand the scale and scope of our business, we expect to make continuous improvement to our selling and distribution efficiency and benefit from economies of scale.

To further foster consumer loyalty, promote our brand and enhance consumer experience, we have launched our digitalized membership system leveraging our consolidated membership database for all online and offline consumers. As of April 30, 2023, our registered members reached approximately 22.4 million. See "Business — Marketing and Brand Building — Our Membership Program."

IMPACT OF COVID-19

Since the end of December 2019, the outbreak of a disease caused by a novel strain of coronavirus, or COVID-19, had materially and adversely affected the global economy.

We took a series of measures in response to the outbreak of COVID-19, including different variants of the virus such as Delta and Omicron, and the relevant restrictions:

- *Production.* We obtained permits from local authorities for continuous production at our facilities, and enforced stringent prevention and control measures in our production facilities and third-party warehouses to ensure that the production in our factories was not materially affected.

- *Supply chain.* In late 2020 and the second half of 2022, respectively, we expected that the pandemic would induce supply chain disruptions, and strategically maintained a relatively high inventory level of finished goods in our third-party central warehouses across the country to reduce the risk of supply shortage in the event of any temporary warehouse closures. Moreover, in the first half of 2022, we arranged with our logistics partners to ensure sufficient supply in our franchised stores in the Shanghai City.

- *Sales.* We obtained approval from local authorities to keep some of our stores open during the lockdown to guarantee key supplies for local residents. Meanwhile, we provided home delivery services through our online sales channels and partnered with third-party food delivery platforms to enable our franchisees to sell and deliver products to end consumers.

Leveraging our effective response measures and highly efficient supply chain, we had successfully minimized the slowdown in production, logistics and sales arrangements, which contributed to our growth in revenue during the Track Record Period. As a result of the aforementioned measures, our production, supply chain and daily operations had not been materially and adversely affected during the Track Record Period. However, the COVID-19 pandemic had a mixed impact of positive and negative effects on our general business operation and financial performance during the Track Record Period in the following manner:

- **Negative impacts**

  - o *Store closure*. There were a number of stores that closed for extended periods of time during the pandemic and did not record any sales during those periods. For example, 377, 231 and 882 stores did not record any transaction for more than two consecutive weeks in 2020, 2021 and 2022, respectively. In particular, a total of 234 stores in Henan and 86 stores in Shanghai experienced closures for an average of approximately one month in 2022;

  - o *COVID-19 related expenses*. We incurred approximately RMB1.1 million in 2020 to purchase sanitization, protective, testing and other supplies to enforce the measures and control in our premises, such as sanitizing regularly and requiring employees to wear masks and undergo testing;

  - o *Heightened inventory level*. To ensure stable supply of raw materials and products, we stocked up higher level of inventory in warehouses, which used up more working capital.

- **Positive impacts**

  - o *Increased number of orders from online channels*. During the COVID-19 pandemic, people began to eat at home more frequently due to restaurant closures, risk of infection and lockdown measures, resulting in a surge in the home dining market from 2020 to 2022. This trend has partially contributed to our revenue growth, as our expanded store network enabled us to capture such demand given its close proximity to residential neighborhoods. Based on its operational records, we observed an increase in our average daily orders from online channels from 6,193 in 2020 to 68,831 in 2022;

  - o *Faster store sales growth*. Stores that were less affected by the restrictive measures due to the pandemic experienced higher sales. For example, the average revenue contribution by franchised stores opened in 2020 increased by approximately 35.2% from RMB475 thousand in 2020 (the year of opening) to RMB642 thousand in 2021 (the first full year of operation following the year of opening). The average revenue contribution by franchised stores opened in 2021 increased by approximately 134.3% from RMB256 thousand in 2021 (the year of opening) to RMB600 thousand in 2022 (the first full year of operation following the year of opening). Such increased store sales growth may in part be due to the trend that people began to eat at home more frequently during the pandemic.

As the COVID-19 pandemic has since subsided, we do not anticipate further adverse impact on our business and financial performance.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the customer and us at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sales of home meal products and related products

We mainly sell our home meal products and related products to franchisees, and to a lesser extent, we sell to enterprise customers including food wholesalers, supermarkets, restaurants and other enterprises, as well as directly to end consumers. Revenue from sales of home meal products and related products is recognized at the point in time when control is transferred to the customer, and the customer has accepted the products.

(b) Provision of operational support services

Our agreements with franchisees also typically include certain less significant operational support services fee. Revenue from the provision of operational support service is recognized over the scheduled period on a straight-line basis over the expected franchise period.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract Liabilities

A contract liability is recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a Lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises and plant: 2-5 years

Leasehold land: 50 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Fair Value Measurement of Fair Value Through Profit or Loss ("FVTPL")

The fair value assessment of FVTPL that are measured at Level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

Our finance department performs the valuation of Level 3 financial instruments for financial reporting purposes. We manage the valuation exercise of the investments on a case by case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our Level 3 instruments and reports to senior management and the directors of our Company. See Note 2.3 to the Accountants' Report in Appendix I to this prospectus.

Our financial assets at FVTPL which are categorized within Level 3 of fair value measurements were mainly equity investments. In respect of the assessment of fair value of the equity investments, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) considering available information in assessing the financial forecast and assumptions including but not limited to the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions; (ii) engaging an independent external valuer to assist our management to assess the fair value; (iii) considering the independence, reputation, capabilities and objectivity of the external valuer to ensure the suitability of such valuer; (iv) reviewing and discussing with our management and the external valuer on the valuation models and approaches; and (v) reviewing the valuation work papers and results prepared by the valuer. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. In respect of the valuation of our equity investments, details and the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements are set forth in Note 41 to the Accountants' Report in Appendix I to this prospectus.

The Reporting Accountants have carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's historical financial information for the Track Record Period as a whole in Appendix I to this prospectus. The Reporting Accountants' opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

The Joint Sponsors have conducted relevant due diligence work, including (i) obtained the credentials of the valuer and the background, qualifications and work experience of its core team members; (ii) obtaining and reviewing the valuation report issued by the valuer; (iii) understanding from the valuer the key basis and assumptions for the valuation of financial assets categorized as Level 3 fair value measurements; (iv) reviewing relevant notes in the Accountant's Report; and (v) understanding from the management of the Company and the Reporting Accountant the work they have performed in relation to the valuation of the Level 3 financial instruments for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by the Company management and the Reporting Accountant, and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the Company management have not undertaken sufficient investigation and due diligence, or that the Company management's reliance on the work products of the valuer is unreasonable.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	**Principal annual rate**
Buildings	4.8%-5.0%
Leasehold improvements	19.0%-31.7%
Machinery equipment	9.5%
Motor vehicles	19.0%
Office equipment	19.0%-31.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statements of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

We determine that we have acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform our annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of us are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

SELECTIVE ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,			**Four Months ended April 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(Unaudited)	
Revenue	**2,964,743**	**3,957,804**	**7,173,457**	**2,159,626**	**2,078,234**
Cost of sales	(2,635,484)	(3,602,520)	(5,924,496)	(1,862,168)	(1,638,968)
Gross profit	**329,259**	**355,284**	**1,248,961**	**297,458**	**439,266**
Other income and gains, net	11,274	38,725	121,460	16,849	62,096
Selling and distribution expenses	(220,134)	(629,440)	(624,577)	(219,421)	(184,708)

	Year ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Administrative expenses	(161,441)	(355,676)	(403,686)	(124,744)	(142,782)
Other expenses	(147)	(2,101)	(2,968)	(2,439)	(1,808)
Finance costs	(1,994)	(2,834)	(2,564)	(667)	(2,062)
Impairment losses on financial assets	—	(426)	(4,584)	(1,932)	(6,462)
Profit/(Loss) before tax	**(43,183)**	**(596,468)**	**332,042**	**(34,896)**	**163,540**
Income tax (expense)/credit	(109)	135,607	(91,060)	9,875	(43,946)
Profit/(Loss) for the period	**(43,292)**	**(460,861)**	**240,982**	**(25,021)**	**119,594**
Profit/(Loss) attributable to					
Owners of the parent	(43,292)	(461,990)	229,907	(30,956)	110,397
Non-controlling interests	—	1,129	11,075	5,935	9,197

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net profit/(loss) as additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net profit/(loss) (non-IFRS measure) as net profit/(loss) for the period adjusted by adding back share-based payment expenses and listing expenses.

The following table reconciles our adjusted net profit/(loss) (non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRSs, which is net profit/(loss) for the period:

	Year ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Reconciliation of net profit/(loss) to adjusted net profit/(loss)					
Profit/(loss) for the period	(43,292)	(460,861)	240,982	(25,021)	119,594
Adjusted:					
Share-based payment expenses[(1)]	16,415	10,262	4,604	1,535	—
Listing expenses[(2)]	—	—	11,199	—	11,588
Adjusted net profit/(loss) (non-IFRS measure)	(26,877)	(450,599)	256,785	(23,486)	131,182

Notes:

(1) Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

(2) Listing expenses mainly relate to the Global Offering.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily derived revenue from sales of home meal products and related products, mainly including hotpot products and barbecue products. We also generated revenue from operational support services offered to our franchisees. We generated all of our revenue from the PRC during the Track Record Period.

Revenue by Nature

The table below sets forth our revenue breakdown by nature in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Sales of home meal products and related products	**2,917,938**	**98.4**	**3,880,204**	**98.0**	**7,058,774**	**98.4**	**2,127,177**	**98.5**	**2,030,027**	**97.7**
Hotpot products	2,389,863	80.6	3,091,345	78.1	5,352,027	74.6	1,670,137	77.3	1,518,322	73.1
Barbecue products	170,486	5.8	294,157	7.4	714,223	10.0	218,536	10.1	248,754	12.0
Others[(1)]	357,589	12.0	494,702	12.5	992,524	13.8	238,504	11.1	262,951	12.6
Operational support services	**46,805**	**1.6**	**77,600**	**2.0**	**114,683**	**1.6**	**32,449**	**1.5**	**48,207**	**2.3**
Total	**2,964,743**	**100.0**	**3,957,804**	**100.0**	**7,173,457**	**100.0**	**2,159,626**	**100.0**	**2,078,234**	**100.0**

Note:

(1) Others mainly include food products such as beverages, solo-dining meals and ready-to-cook meal kits, among others.

Sales of home meal products and related products

During the Track Record Period, revenue from sales of home meal products and related products was primarily derived from hotpot products and barbecue products. We derived substantially all of our revenue from the sale of our proprietary brand products to our franchisees, who operate franchised stores under our brand and sell our products to end consumers. In addition, we also sell our products to enterprise customers, including food wholesalers, supermarkets, restaurants and other enterprises, as well as directly to end consumers.

The increase in revenue from sales of home meal products and related products was primarily attributable to our expansion of franchised store network, with the number of franchised stores increasing from 4,296 as of December 31, 2020 to 6,864 as of December 31, 2021, and further to 9,216 and 9,838 as of December 31, 2022 and April 30, 2023, respectively. As people began to eat at home more frequently due to restaurant closures, risk of infection and lockdown measures, our home meal products became a popular choice among consumers across China, which have partially contributed to our revenue growth. Our expanded store network was able to capture such demand given its close proximity to residential neighborhoods.

As our main product category, our hotpot products consisted of 322 SKUs as of April 30, 2023, which primarily include meats, meatballs and pastes, hotpot soup base, and pots, among others. Revenue generated from our hotpot products contributed a significant proportion of our total revenue, accounting for 80.6%, 78.1%, 74.6% and 73.1% of our total revenue in each of 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively. We have been strategically diversifying our product portfolio, primarily by promoting our barbecue products including seafood, skewers, other meat products, and barbecue grills, among others, which contributed to 5.8%, 7.4%, 10.0% and 12.0% of our total revenue in each of 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively. As of April 30, 2023, we had 194 SKUs under our barbecue products category.

Operational support services

We enter into franchise agreements with franchisees granting them the right to operate franchised stores carrying our brand and trademarks. We collect annual operational support service fee from each franchisee at a fixed amount for the support we provide to our franchisees such as training, guidance, branding, marketing and logistical support. For details of the fee arrangements between our franchisees and us, see "Business — Our Sales Channels and Store Network — Offline Retail Store Network — Franchised Stores." During the Track Record Period, our revenue from operational support services amounted to RMB46.8 million, RMB77.6 million, RMB114.7 million and RMB48.2 million in 2020, 2021 and 2022, and the four months ended April 30, 2023, representing 1.6%, 2.0%, 1.6% and 2.3% of our total revenue for the same periods, respectively.

The table below sets forth our revenue breakdown by nature and channel in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Sales of home meal products and related products	**2,917,938**	**98.4**	**3,880,204**	**98.0**	**7,058,774**	**98.4**	**2,127,177**	**98.5**	**2,030,027**	**97.7**
Sales to franchisees	2,910,129	98.2	3,727,859	94.2	6,476,687	90.3	2,011,282	93.1	1,821,511	87.6
— to individual franchisees	2,900,904	97.9	3,712,111	93.8	6,458,679	90.0	2,009,213	93.0	1,810,836	87.1
— to corporate franchisees	9,225	0.3	15,748	0.4	18,008	0.3	2,069	0.1	10,675	0.5
Other sales channels	7,809	0.2	152,345	3.8	582,087	8.1	115,895	5.4	208,516	10.1
— To enterprise customers[(1)]	488	0.0	63,001	1.6	548,717	7.6	97,566	4.5	196,750	9.5
— Direct to end consumers[(2)]	7,321	0.2	89,344	2.2	33,370	0.5	18,329	0.9	11,766	0.6
Operational support services	**46,805**	**1.6**	**77,600**	**2.0**	**114,683**	**1.6**	**32,449**	**1.5**	**48,207**	**2.3**
Total	**2,964,743**	**100.0**	**3,957,804**	**100.0**	**7,173,457**	**100.0**	**2,159,626**	**100.0**	**2,078,234**	**100.0**

Notes:

(1) Mainly include food wholesalers, restaurants, supermarkets, and other enterprises.

(2) Mainly include revenue from self-operated stores and direct-to-consumer sales on e-commerce platforms.

As of April 30, 2023, we had established a network of 9,844 stores under our brand in the PRC, comprising 9,838 franchised stores and six self-operated stores. During the Track Record Period, we derived the majority of our revenue from sales of our proprietary brand products to our franchisees. In 2020, 2021 and 2022, and the four months ended April 30, 2023, revenue from our sales to franchisees amounted to RMB2,910.1 million, RMB3,727.9 million, RMB6,476.7 million and RMB1,821.5 million, accounting for 98.2%, 94.2%, 90.3% and 87.6% of our total revenue in the respective periods. In particular, as the number of corporate franchisees increased from one as of December 31, 2020 and 2021 to 30 as of December 31, 2022 and further to 54 as of April 30, 2023, our sales of products to corporate franchisees increased from RMB9.2 million in 2020 to RMB15.7 million in 2021, and further to RMB18.0 million and RMB10.7 million in 2022 and the four months ended April 30, 2023, respectively.

We also generate revenue from sales of home meal products and related products to franchisees and other sales channels, which mainly include sales to enterprise customers and direct sales to end consumers. Our revenue from other sales channels increased from RMB7.8 million in 2020 to RMB152.3 million in 2021, and further to RMB582.1 million in 2022, and from RMB115.9 million in the four months ended April 30, 2022 to RMB208.5 million in the four months ended April 30, 2023, primarily due to an increase in revenue from sales to enterprise customers, in particular sales to food wholesalers. For details, see "Business — Our Transaction Flow — Our Customers."

In addition, we also generate revenue from offering operational support services to franchisees. During the Track Record Period, such revenue increased from RMB46.8 million in 2020 to RMB77.6 million in 2021, and further to RMB114.7 million in 2022, and from RMB32.4 million in the four months ended April 30, 2022 to RMB48.2 million in the four months ended April 30, 2023. This was in line with the expansion of our franchised store network.

The following table sets forth the revenue breakdown of our products sold to franchised stores by time of opening for the periods indicated:

	Year ended December 31,						Four Months ended April 30,	
	2020		2021		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)							
Franchised stores opened before 2020	1,586,435	54.5	1,274,629	34.2	1,633,233	25.2	393,996	21.6
Franchised stores opened in 2020	1,323,694	45.5	1,788,414	48.0	2,416,207	37.3	585,378	32.1
Franchised stores opened in 2021	—	—	664,816	17.8	1,623,929	25.1	414,589	22.8
Franchised stores opened in 2022	—	—	—	—	803,318	12.4	347,813	19.1
Franchised stores opened in the four months ended April 30, 2023	—	—	—	—	—	—	79,735	4.4
Total	**2,910,129**	**100.0**	**3,727,859**	**100.0**	**6,476,687**	**100.0**	**1,821,511**	**100.0**

The revenue of our products sold to franchised stores that were opened in the same period during the Track Record Period generally showed a steady growth trajectory throughout the Track Record Period. For instance, the revenue contribution by franchised stores opened in 2020 increased from RMB1,323.7 million in 2020 to RMB1,788.4 million in 2021 and further to RMB2,416.2 million in 2022.

The following table sets forth the revenue breakdown of our products sold to franchised stores by administrative level of their locations for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Franchised stores										
Municipalities	114,129	3.9	191,197	5.1	492,769	7.6	135,338	6.7	117,979	6.5
Provincial capitals	681,713	23.4	937,929	25.2	1,679,588	25.9	494,115	24.6	455,206	25.0
Prefectural-level cities	869,774	29.9	1,071,457	28.7	1,864,950	28.8	572,064	28.4	522,668	28.7
County-level cities	927,396	31.9	1,103,388	29.6	1,708,382	26.4	558,908	27.8	509,032	27.9
Townships	317,117	10.9	423,888	11.4	730,998	11.3	250,857	12.5	216,626	11.9
Total	**2,910,129**	**100.0**	**3,727,859**	**100.0**	**6,476,687**	**100.0**	**2,011,282**	**100.0**	**1,821,511**	**100.0**

An important aspect of our expansion strategy for the franchised store network involves focusing on initial penetration into provincial capitals and municipalities. By leveraging these economically vibrant regions, we can enhance brand awareness and drive sales growth. To illustrate, the number of franchised stores in municipalities increased from 176 as of December 31, 2020, to 376 as of December 31, 2021, and further to 687 and 749 as of December 31, 2022 and April 30, 2023, enhancing our store representation from 4.1% to 5.5% and further to 7.5% and 7.6% in these regions, respectively. There is a similar upward trajectory for stores in provincial capitals, where the number of franchised stores increased from 832 as of December 31, 2020 to 1,329 as of December 31, 2021 and to 1,959 and 2,104 as of December 31, 2022 and April 30, 2023, enhancing our store representation from 19.3% to 19.4% and further to 21.2% and 21.4% in these regions, respectively. As a result, in 2020, 2021, and 2022, and the four months ended April 30, 2023, the revenue attributable to franchised stores in municipalities as a percentage of our total revenue from sales to franchisees generally showed an upward trend, being 3.9%, 5.1%, 7.6% and 6.5%, respectively. During the same periods, the revenue attributable to franchised stores in provincial capitals as a percentage of our total revenue from sales to franchisees generally showed an upward trend, being 23.4%, 25.2%, 25.9% and 25.0%, respectively.

Cost of Sales

Our cost of sales primarily comprises (i) cost of inventories sold, (ii) delivery charges for third-party delivery service providers, and (iii) manufacturing costs in relation to our self-operated production plants.

The following table sets forth the major components of our cost of sales by nature in actual amounts and as a percentage of our total cost of sales for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Cost of inventories sold	2,514,114	95.4	3,438,879	95.5	5,620,820	94.9	1,776,275	95.4	1,553,991	94.8
Hotpot products	2,061,049	78.2	2,733,166	75.9	4,119,185	69.5	1,384,011	74.3	1,118,671	68.3
Barbecue products	146,959	5.6	262,795	7.3	587,713	9.9	183,983	9.9	196,999	12.0
Others[(1)]	306,106	11.6	442,918	12.3	913,922	15.5	208,281	11.2	238,321	14.5
Delivery charges	121,043	4.6	155,017	4.3	257,177	4.3	82,841	4.4	76,036	4.6
Manufacturing costs	327	0.0	8,624	0.2	46,499	0.8	3,052	0.2	8,941	0.6
Total	**2,635,484**	**100.0**	**3,602,520**	**100.0**	**5,924,496**	**100.0**	**1,862,168**	**100.0**	**1,638,968**	**100.0**

Note:

(1) Others mainly include food products such as beverages, solo-dining meals, ready-to-cook meal kits, among others.

Our cost of inventories sold as a percentage of cost of sales are generally stable throughout the Track Record Period. Our delivery charges increased by 28.1% from RMB121.0 million in 2020 to RMB155.0 million in 2021, and further increased by 65.9% to RMB257.2 million in 2022. Our delivery charges decreased by 8.2% from RMB82.8 million in the four months ended April 30, 2022 to RMB76.0 million in the four months ended April 30, 2023. Our delivery charges as a percentage of cost of sales remained relatively stable during the Track Record Period.

Sensitivity Analysis

The table sets forth the sensitivity analysis of the impact analysis to our results of operations during the Track Record Period from the change in cost of inventories sold, based on historical price fluctuations.

	Change in Profit before Tax for the Period due to the Change in Cost of Inventories Sold		
	+/– 2%	+/– 4%	+/– 6%
	(RMB in thousands)		
2020	50,282	100,565	150,847
2021	68,778	137,555	206,333
2022	112,416	224,833	337,249
Four months ended April 30, 2023	31,080	62,160	93,239

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit both in amounts and as percentages of revenue, or gross profit margin, by nature for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Sales of home meal products and related products	**282,454**	**9.7**	**277,684**	**7.2**	**1,134,278**	**16.1**	**265,009**	**12.5**	**391,059**	**19.3**
Hotpot products	229,350	9.6	226,053	7.3	991,349	18.5	218,032	13.1	333,840	22.0
Barbecue products	16,455	9.7	19,610	6.7	100,488	14.1	26,042	11.9	42,438	17.1
Others(1)	36,649	10.2	32,021	6.5	42,441	4.3	20,935	8.8	14,781	5.6
Operational support services(2)	**46,805**	**100.0**	**77,600**	**100.0**	**114,683**	**100.0**	**32,449**	**100.0**	**48,207**	**100.0**
Total	**329,259**	**11.1**	**355,284**	**9.0**	**1,248,961**	**17.4**	**297,458**	**13.8**	**439,266**	**21.1**

Notes:

(1) Others mainly include food products such as beverages, solo-dining meals, ready-to-cook meal kits, among others.

(2) As there is no cost recorded in connection with the provision of operational support services, the gross profit margin of this component was 100.0%.

Our gross profit increased from RMB329.3 million in 2020 to RMB355.3 million in 2021, and further significantly increased to RMB1,249.0 million in 2022. Our gross profit also increased from RMB297.5 million in the four months ended April 30, 2022 to RMB439.3 million in the four months ended April 30, 2023. Our gross profit margin generally increased during the Track Record Period, being 11.1%, 9.0%, 17.4% and 21.1% in 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively. Our gross profit margin is mainly affected by (i) our ability to control the cost of sales and maintain a stable level of procurement price; the number of suppliers that provided purchase rebates to us increased significantly during the Track Record Period; (ii) our continuous efforts to launch new products and upgrade the existing ones with relatively higher margin; for example, we improved our beef, meatball and tripe products with various flavors to meet more diverse customer demands, and a substantial portion of these new products were with higher gross profit margin in these categories; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers; (iii) the promotional events with franchisees to support the franchised store network expansion and build our brand awareness; and (iv) consolidating additional profits generated by production facilities we acquired.

In particular, our gross profit margin decreased slightly from 11.1% in 2020 to 9.0% in 2021, mainly attributable to the increased spending on enhanced promotional efforts to improve our brand influence, so as to support our rapid store network expansion. We conducted promotional activities for franchisees on the "517" shopping day, during which we sold products at more favorable prices to franchisees. In 2021, we also offered discounts to the sales of our products to eligible franchisees who opened new stores for their first purchase orders. Subsequently, our gross profit margin improved from 9.0% in 2021 to 17.4% in 2022, mainly attributable to (i) products of higher margin, such as black beef tripe and thinly sliced lamb for hotpot and pork belly and skewers for barbecue; (ii) improved procurement cost-effectiveness of raw materials and food products due to economies of scale and brand awareness (for instance, the procured volume of beef products increased from approximately 9,800 tons in 2021 and further to 17,000 tons in 2022); and (iii) improved manufacturing costs due to the acquisition of our self-operated production facilities.

Our overall revenue decreased slightly from RMB2,159.6 million in the four months ended April 30, 2022 to RMB2,078.2 million in the same period in 2023, primarily because the sales of hotpot products were higher in the first four months of 2022, which was partially attributable to that people dined out more frequently after the pandemic subsided. Such slight decrease in revenue was offset by the improved gross profit margin. Our gross profit margin improved from 13.8% in the four months ended April 30, 2022 to 21.1% in the four months ended April 30, 2023, primarily due to (i) the decrease in cost of sales; and (ii) the launch of new or upgraded hotpot and barbecue products with relatively higher margins; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers.

As our brand awareness is enhanced and our procurement volumes increased from the expanding store network, our bargaining power with suppliers was strengthened and we obtained more favorable terms. To further cement our control over supply chain and manage the costs of inventories sold, we acquired three production plants, namely Heyi Plant, Wanlai Wanqu Plant and Chengming Plant, to process beef, and produce meatballs and hotpot soup base. As a result of self-producing a portion of our main products, we enjoyed lower unit costs as compared to procuring from third-party suppliers.

With regard to the gross profit generated by different sales channels, we primarily generated our gross profit from the sale of our products to franchisees, and our gross profit from other sales channels accounted for an insignificant portion of our gross profit in 2021. However, in 2020, 2022 and the four months ended April 30, 2023, we recorded a gross loss of RMB45.0 thousands, RMB21.4 million and RMB2.4 million from other sales channels, respectively, which slightly offset the gross profit growth from sales to franchisees. The gross loss from other sales channels in 2020 was mainly from the direct-to-consumer sales. The gross loss from other sales channels in 2022 and the four months ended April 30, 2023 were primarily due to the new business relating to the supply of certain imported food ingredients to our suppliers and certain food wholesalers, which we launched in late 2021. See "Business — Our Transaction Flow — Our Customers."

Selling and Distribution Expenses

Our selling and distribution expenses primarily comprise (i) employee benefit expenses, (ii) storage charges, (iii) advertising and promotion expenses, and (iv) traveling expenses. Our selling and distribution expenses amounted to RMB220.1 million, RMB629.4 million, RMB624.6 million and RMB184.7 million, accounting for 7.4%, 15.9%, 8.7% and 8.9% of our revenue in 2020, 2021 and 2022, and the four months ended April 30, 2023, respectively.

The table below sets forth a breakdown of the components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Employee benefit expenses	69,835	31.7	215,262	34.2	224,462	35.9	86,935	39.6	69,570	37.7
Storage charges	86,716	39.4	131,118	20.8	189,025	30.3	57,072	26.0	51,610	27.9
Advertising and promotion expenses	39,921	18.1	185,094	29.4	137,566	22.0	49,191	22.4	38,311	20.7
Traveling expenses	14,016	6.4	36,224	5.8	25,568	4.1	10,170	4.7	7,478	4.1
Others[(1)]	9,646	4.4	61,742	9.8	47,956	7.7	16,053	7.3	17,739	9.6
Total	**220,134**	**100.0**	**629,440**	**100.0**	**624,577**	**100.0**	**219,421**	**100.0**	**184,708**	**100.0**

Note:

(1) Others primarily include service fees, depreciation and office expenses.

Our selling and distribution expenses increased from 2020 to 2021 in line with our business growth, primarily due to (i) the increase in the number of operation staff to support our expanding business; (ii) marketing activities such as CCTV advertising, online branding and marketing, celebrity endorsements, and offline promotion and advertisement placements to enhance our brand recognition; and (iii) the increase in storage charges largely corresponding to our business expansion.

In particular, the overall storage charges incurred as a percentage of our revenue increased from 3.0% in 2020 to 3.4% in 2021 and subsequently decreased to 2.7% in 2022. While the storage charges incurred as a percentage of our sales revenue to franchisees remained relatively stable during the Track Record Period, the overall fluctuation was mainly attributable to the fluctuation of the storage charges incurred related to other sales channels as a percentage of our sales revenue to other sales channels during the Track Record Period. The other sales channels include sales to enterprise customers, sales via its self-operated stores as well as direct to end customers sales on e-commerce platforms. In 2020, whilst the storage charges as a percentage of revenue from other sales channels was high, the overall revenue contribution and storage charges of other sales channels was insignificant. The high storage charges as a percentage of revenue from other sales channels in 2021 was mainly attributable to direct sales to end customers through certain e-commerce platforms, given that (i) we engaged warehousing and logistics service providers specialized for e-commerce businesses, who charged relatively high storage rates, and (ii) we maintained a certain inventory level at the storage facilities of supply chain service providers related to e-commerce businesses in order to ensure timely delivery to end-consumers once they place orders on the e-commerce platforms. Hence, the level of inventory and the resulting storage charges may not be proportionate to the scale of its e-commerce business during the same period, and resulted in higher overall storage charge as a percentage of revenue in 2021. The storage charge as a percentage of revenue from other sales channels subsequently decreased significantly in 2022, primarily because we reduced our sales through e-commerce platforms significantly, while increasing our sales to enterprise customers, which incurred much lower storage rates.

We strive to make continuous improvement to our selling and distribution efficiency by improving and utilizing our digitalized management system. As a result, the selling and distribution expenses decreased from RMB629.4 million in 2021 to RMB624.6 million in 2022, and such expenses as a percentage of our revenue decreased from 15.9% in 2021 to 8.7% in 2022. The selling and distribution expenses also decreased from RMB219.4 million in the four months ended April 30, 2022 to RMB184.7 million in the four months ended April 30, 2023, and such expenses as a percentage of our revenue also decreased from 10.2% to 8.9% for the same periods as a result of continuous improvement to our selling and distribution efficiency.

Administrative Expenses

Our administrative expenses primarily comprise (i) employee benefit expenses (including share-based payment expenses); (ii) IT maintenance and support fees relating to our digitalized management system, (iii) depreciation and amortization mainly relating to our office equipment and production facilities, (iv) bank charges representing the POS transaction fees, and (v) legal, professional and consulting fees incurred from business and financing activities, among others. Our administrative expenses amounted to RMB161.4 million, RMB355.7 million, RMB403.7 million and RMB142.8 million, accounting for 5.4%, 9.0%, 5.6% and 6.9% of our revenue in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively.

The table below sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Employee benefit expenses	87,342	54.1	215,083	60.5	244,114	60.5	86,803	69.6	76,992	54.1
IT maintenance and support fees	1,172	0.7	14,061	4.0	38,168	9.5	3,688	3.0	4,753	3.3
Depreciation and amortization	12,449	7.7	22,522	6.3	31,414	7.8	8,917	7.1	13,519	9.5
Bank charges	6,909	4.3	10,774	3.0	15,452	3.8	5,370	4.3	5,767	4.0
Legal, professional and consulting fees	24,141	15.0	53,731	15.1	13,107	3.2	8,622	6.9	7,610	5.3
Listing expenses	—	—	—	—	11,199	2.8	—	—	11,588	8.1
Research and development costs	235	0.1	3,487	1.0	9,981	2.5	1,381	1.1	2,482	1.7
Expense related to short-term leases	5,879	3.6	5,975	1.7	7,344	1.8	2,367	1.9	2,014	1.4
Office expenses	7,820	4.8	8,074	2.3	5,959	1.5	1,851	1.5	3,999	2.8
Others(1)	15,494	9.7	21,969	6.1	26,948	6.6	5,745	4.6	14,058	9.8
Total	**161,441**	**100.0**	**355,676**	**100.0**	**403,686**	**100.0**	**124,744**	**100.0**	**142,782**	**100.0**

Note:

(1) Others mainly include business development expenses and insurance expenses.

Other Expenses

Our other expenses amounted to RMB0.1 million, RMB2.1 million, RMB3.0 million and RMB1.8 million for the years ended December 31, 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively.

Finance Costs

Finance costs primarily comprise finance costs of interest on lease liabilities, and interest on bank loans and other borrowings. Our finance costs remained relatively stable for the years ended December 31, 2020, 2021 and 2022, and the four months ended April 30, 2023 being RMB2.0 million, RMB2.8 million, RMB2.6 million and RMB2.1 million, respectively.

Impairment Losses on Financial Assets

Impairment losses on financial assets primarily represent provisions of impairment of trade receivables, which mainly relate to the amounts due from enterprise customers. We recorded impairment losses on financial assets of nil, RMB0.4 million and RMB4.6 million in 2020, 2021 and 2022, respectively. We also recorded impairment losses on financial assets of RMB1.9 million and RMB6.5 million in the four months ended April 30, 2022 and 2023, respectively. Such increases in the impairment losses on financial assets were primarily due to the increase in our impairment losses on trade receivables driven by the increase of trade receivables balance due from our enterprise customers. See "— Discussion of Key Items of Consolidated Statements of Financial Position — Trade Receivables."

Other Income and Gains, Net

Other Income

Our other income primarily consists of government grants related to income and assets, interest income and others. The table below sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,						Four Months ended April 30,			
	2020		2021		2022		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
							(Unaudited)			
Other income										
Government grants related to										
Income	2,580	21.8	8,557	30.8	28,187	47.1	882	9.9	31,986	76.9
Assets	—	—	—	—	336	0.6	—	—	203	0.5
Interest income	2,235	18.9	16,583	59.7	23,024	38.5	6,595	74.0	8,551	20.6
Others(1)	7,007	59.3	2,636	9.5	8,276	13.8	1,438	16.1	829	2.0
Total	**11,822**	**100.0**	**27,776**	**100.0**	**59,823**	**100.0**	**8,915**	**100.0**	**41,569**	**100.0**

Note:

(1) Others mainly include penalties for franchisees and lease income.

During the Track Record Period, we received government grants related to income as rewards for our contribution to the local economic growth, as well as government grants received related to assets, mainly representing subsidies for our investment in production capacity expansion.

Other Gains/(Losses), Net

Our net other gains/(losses) primarily comprise (i) net foreign exchange gains/(losses), (ii) realized fair value gains on financial assets at fair value through profit or loss, which were mainly our wealth management products, and (iii) unrealized fair value gains on financial assets at fair value through profit or loss, mainly representing our wealth management products and unlisted convertible redeemable preferred shares.

The following table sets forth a breakdown of the components of our net other gains/(losses) for the periods indicated:

	Year ended December 31,			**Four Months ended April 30,**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB in thousands)				
				(Unaudited)	
Gains/(losses), net					
Foreign exchange gains/(losses), net	(2,790)	1,843	(77)	—	—
Realized fair value gains on financial assets at fair value through profit or loss	2,192	8,596	4,655	2,646	794
Unrealized fair value gains on financial assets at fair value through profit or loss:					
— Wealth management products	—	334	(267)	314	190
— Unlisted convertible redeemable preferred shares	—	—	58,167	4,975	19,226
Other gains and losses	50	176	(841)	(1)	317
Total	**(548)**	**10,949**	**61,637**	**7,934**	**20,527**

Income Tax Expense

Our subsidiaries in China are subject to EIT on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the EIT Law. Pursuant to the EIT Law, our subsidiaries in China are generally subject to EIT at the statutory rate of 25%, while certain of our subsidiaries are qualified as small- and micro-enterprises and are entitled to a preferential corporate income tax rate of 20% during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes in accordance with tax regulations and did not have any disputes or unresolved tax issues with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared with Four Months Ended April 30, 2022

Revenue

Our total revenue remained relatively stable at RMB2,159.6 million and RMB2,078.2 million in the four months ended April 30, 2022 and 2023, respectively.

Sales of home meal products and related products

Our revenue from sales of home meal products and related products remained relatively stable at RMB2,127.2 million and RMB2,030.0 million in the four months ended April 30, 2022 and 2023, respectively. In particular, the revenue from sales of hotpot products decrease from RMB1,670.1 million in four months ended April 30, 2022 to RMB1,518.3 million in the four months ended April 30, 2023, which is partially attributable to that people dined out more frequently after the pandemic subsided. The decrease was partially offset by the increase in the revenue from sales of barbecue products and others from RMB457.0 million in the four months ended April 30, 2022 to RMB511.7 million in the four months ended April 30, 2023. We strategically focused on promoting barbecue products and others catering to the increased popularity of such products in light of the change of season since February 2023.

Operational support services

Our revenue from operational support services increased by 48.6% from RMB32.4 million in the four months ended April 30, 2022 to RMB48.2 million in the four months ended April 30, 2023, primarily due to the increase in the number of franchisees and franchised stores in our store network.

Cost of Sales

Our cost of sales decreased by 12.0% from RMB1,862.2 million in the four months ended April 30, 2022 to RMB1,639.0 million in the four months ended April 30, 2023, mainly attributable to the acquisition of our production facilities and the decrease in the sales of hotpot products. We enjoyed lower unit costs from self-producing certain products as compared to procuring from third-party suppliers.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 47.7% from RMB297.5 million in the four months ended April 30, 2022 to RMB439.3 million in the four months ended April 30, 2023. Our gross profit margin improved from 13.8% in the four months ended April 30, 2022 to 21.1% in the four months ended April 30, 2023, primarily due to (i) the decrease in cost of sales; and, (ii) the launch of new or upgraded hotpot and barbecue products with relatively higher margins; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 15.8% from RMB219.4 million in the four months ended April 30, 2022 to RMB184.7 million in the four months ended April 30, 2023, primarily due to (i) the decrease in employee benefit expenses which was mainly attributable to our efforts to improve operational efficiencies by digitalizing our store management system, and (ii) the decrease in advertising and promotion expenses as a result of reduced advertisements and promotional activities in the first four months of 2023, as we have established considerable brand influence from prior investment in advertising and promotion activities, and (iii) the decrease in storage charges mainly attributable to the decreased inventories of hotpot products during the first four months of 2023.

Administrative Expenses

Our administrative expenses increased by 14.5% from RMB124.7 million in the four months ended April 30, 2022 to RMB142.8 million in the four months ended April 30, 2023, primarily due to (i) the increase in business development expenses which was mainly attributable to the increased business development activities, (ii) the listing expenses incurred in the first four months of 2023 and (iii) the increase in depreciation and amortization expenses in relation to the purchase of new office equipment.

Other Expenses

Our other expenses amounted to RMB2.4 million and RMB1.8 million in the four months ended April 30, 2022 and 2023 respectively.

Finance Costs

Our finance costs increased by 209.1% from RMB0.7 million in the four months ended April 30, 2022 to RMB2.1 million in the four months ended April 30, 2023, primarily due to the interests incurred in relation to bank and other borrowings.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased from RMB1.9 million in the four months ended April 30, 2022 to RMB6.5 million in the four months ended April 30, 2023, primarily due to the increase in our impairment losses on trade receivables from RMB5.0 million as of December 31, 2022 to RMB11.5 million as of April 30, 2023.

Other Income and Gains, Net

We recorded an increase in other income and gains from RMB16.8 million in the four months ended April 30, 2022 to RMB62.1 million in the four months ended April 30, 2023. In particular, our other income increased by 366.3% from RMB8.9 million in the four months ended April 30, 2022 to RMB41.6 million in the four months ended April 30, 2023, primarily due to (i) the government grants of RMB32.2 million related to income and assets, mainly reflecting our revenue growth and contribution to the local economy, as well as (ii) an increase in the interest income from RMB6.6 million in the four months ended April 30, 2022 to RMB8.6 million in the four months ended April 30, 2023. Our net other gains increased by 158.7% from RMB7.9 million in the four months ended April 30, 2022 to RMB20.5 million in the four months ended April 30, 2023, primarily due to our unrealized fair value changes on financial assets at fair value through profit or loss, mainly representing our equity investments.

Income Tax (Expenses)/Credit

We recognized income tax expenses of RMB43.9 million in the four months ended April 30, 2023 as compared to income tax credit of RMB9.9 million in the four months ended April 30, 2022 as a result of the change in our profitability.

Profit for the Period

As a result of the foregoing, we recorded a profit of RMB119.6 million in the four months ended April 30, 2023, compared to a loss of RMB25.0 million in the four months ended April 30, 2022.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Our total revenue significantly increased by 81.2% from RMB3,957.8 million in 2021 to RMB7,173.5 million in 2022. The increase was primarily due to the revenue increase from sales of home meal products and related products, and to a lesser extent, the operational support services.

Sales of home meal products and related products

Our revenue from sales of home meal products and related products increased by 81.9% from RMB3,880.2 million in 2021 to RMB7,058.8 million in 2022, primarily driven by (i) our fast expansion of store network with the number of stores growing from 6,868 as of December 31, 2021 to 9,221 as of December 31, 2022; in particular, our expansion strategy for the franchised store network has been primarily centered around penetrating provincial capitals and municipalities initially, leveraging these economically vibrant regions to augment brand awareness, drive sales growth and further penetrate to cities with lower administrative level in these regions. The total number of our stores in municipalities and provincial capitals increased from 1,705 as of December 31, 2021 to 2,646 as of December 31, 2022. Driven by the increased number of stores, the revenue contribution from stores in municipalities and provincial capitals increased from RMB1,129.1 million in 2021 to RMB2,172.4 million. Moreover, our revenue contribution from franchised stores increased from RMB3,727.9 million in 2021 to RMB6,476.7 million, primarily due to the increase in revenue contribution from franchised stores opened in 2020 and 2021 from RMB2,453.2 million in 2021 to RMB4,040.1 million in 2022; and (ii) our continuous efforts to launch new products and upgrade existing ones, allowing us to satisfy the diverse needs of a wider group of consumers. For example, the revenue from barbecue products increased by 142.8% from RMB294.2 million in 2021 to RMB714.2 million in 2022; meanwhile, we had been promoting a variety of product categories ranging from beverages to ready-to-cook meal kits, together driving the sustainable growth of our revenue.

Operational support services

Our revenue from operational support services increased by 47.8% from RMB77.6 million in 2021 to RMB114.7 million in 2022, primarily due to the increase in the number of franchisees and franchised stores.

Cost of Sales

Our cost of sales increased by 64.5% from RMB3,602.5 million in 2021 to RMB5,924.5 million in 2022, primarily attributable to the increase in (i) the cost of inventories sold from RMB3,438.9 million in 2021 to RMB5,620.8 million in 2022, and (ii) the delivery charges from RMB155.0 million in 2021 to RMB257.2 million in 2022, as we expanded our sales of home meal products and related products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 251.5% from RMB355.3 million in 2021 to RMB1,249.0 million in 2022, primarily due to the increase in our total revenue from 2021 to 2022, particularly due to the increase in our sales to franchisees, which was slightly offset by the gross loss from other sales channels in 2022. The gross loss from our other channels was primarily due to the sales of certain imported food ingredients to our suppliers and certain food wholesalers and the prices of which were subject to market volatility and fluctuations of the market prices for those products. We continued to adjust our business strategy in such sales of imported food ingredients. See "Business — Production, Procurement, and Suppliers — Procurement" and "Business — Our Transaction Flow — Our Customers."

Our gross profit margin rate increased from 9.0% in 2021 to 17.4% in 2022, primarily because (i) we upgraded the existing products and released new hotpot and barbecue products with relatively higher margin within each of the categories; for instance, we launched the black beef tripe product in the hotpot category in July 2022, which became one of our popular products among end-consumers; (ii) we maintained strong cost control capabilities benefiting from our growing procurement volumes and enhanced economies of scale; for instance, the procurement volume of beef products increased from approximately 9,800 tons in 2021 to approximately 17,000 tons in 2022, with the average procurement cost decreasing from RMB52.6 per kg in 2021 to RMB51.2 per kg in 2022; and there was a significant increase in the number of suppliers who provided purchase rebates to us from 29 in 2021 to 143 in 2022; (iii) we sourced our main products including beef, meatball and hotpot soup base from our self-operated production facilities; for example, the costs of self-producing our beef tripe and beef ball products are approximately 5% lower than procuring from third-party suppliers; prior to the acquisition of our self-operated production facilities, we primarily procured beef from Luyi Heyi and other beef suppliers, meatballs from Sanquan, and hotpot soup base from Luyi Chengming; we subsequently acquired Luyi Heyi and Luyi Chengming in August 2021 and November 2022, respectively; and (iv) as we had established a mature sales network and strengthened our brand awareness, we provided fewer promotional events to our franchisees in 2022. For instance, in 2021, we offered promotional discounts to franchisees which amounted to RMB145.3 million, which was significantly reduced to RMB49.2 million in 2022.

Selling and Distribution Expenses

Our selling and distribution expenses decreased from RMB629.4 million in 2021 to RMB624.6 million in 2022 despite our strong revenue growth. As we had established considerable brand influence from previous investment in advertising and promotion activities, we decreased such investments in 2022, in particular our online branding and marketing as well as offline promotion and advertisement placement, leading to a 25.7% decrease in our advertising and promotion expenses. This was partially offset by (i) the slight increase in our employee benefit expenses from RMB215.3 million in 2021 to RMB224.5 million in 2022, as we maintained a reasonable size of sales team. Meanwhile, we substantially improved our operational efficiencies in terms of selling and distribution, thanks to the digitalized store management system including video supervision of stores and digitalized store opening process, which allowed us to run the expanding store network in a highly efficient manner; and (ii) an increase in the storage charges largely corresponding to the expanding business scale, while at a slower pace attributable to the increase in the proportion of revenue generated from other sales channels, which enjoyed much lower storage charges rates in 2022 as compared with 2021. The overall rates of storage charges in relation to the sales of products via other sales channels decreased from 17.6% in 2021 to 2.2% in 2022, primarily due to (i) the decreased sales through e-commerce platforms with higher rates of storage charges in 2021, and (ii) the increased sales to enterprise customers in 2022 with significantly lower rates of storage charges. As such, our selling and distribution expenses as a percentage of our revenue decreased significantly from 15.9% in 2021 to 8.7% in 2022.

Administrative Expenses

Our administrative expenses increased by 13.5% from RMB355.7 million in 2021 to RMB403.7 million in 2022, primarily due to (i) an increase in the employee benefit expenses resulting from the increased level of compensation for administrative staff, (ii) an increase in the IT maintenance and support fees as we invested in our digitalized management system, and (iii) the listing expenses, partially offset by a decrease in the legal, professional and consulting fees.

Other Expenses

Our other expenses increased from RMB2.1 million in 2021 to RMB3.0 million in 2022. Such expenses mainly represented our donations made during the COVID-19 resurgence in Shanghai.

Finance Costs

Our finance costs remained relatively stable in 2021 and 2022, amounting to RMB2.8 million and RMB2.6 million.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased from RMB0.4 million in 2021 to RMB4.6 million in 2022, primarily due to the increase in our impairment losses on trade receivables, as our trade receivables increased from RMB14.9 million as of December 31, 2021 to RMB134.3 million as of December 31, 2022.

Other Income and Gains, Net

We recorded an increase in other income and gains from RMB38.7 million in 2021 to RMB121.5 million in 2022. Our other income increased from RMB27.8 million in 2021 to RMB59.8 million in 2022, primarily relating to (i) the government grants of RMB28.5 million related to income and assets, mainly reflecting our growth of revenue and contribution to the local economy, as well as (ii) an increase in the interest income from RMB16.6 million in 2021 to RMB23.0 million in 2022.

We recognized other gains of RMB61.6 million in 2022 as compared to other gains of RMB10.9 million in 2021. The increase was primarily attributable to our unrealized fair value gains on financial assets at fair value through profit or loss, mainly representing our equity investment.

Income Tax (Expenses)/Credit

We recognized income tax expenses of RMB91.1 million in 2022 as compared to income tax credit of RMB135.6 million in 2021.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a profit of RMB241.0 million in 2022, compared to a loss of RMB460.9 million in 2021.

Specifically, we were able to achieve net profit in 2022 because of (i) the significant increase in revenue from the fast expansion of our store network from 6,868 as of December 31, 2021 to 9,221 as of December 31, 2022; (ii) the increase of our gross profit margin from 9.0% in 2021 to 17.4% in 2022 primarily attributed to (a) economies of scale from our store network expansion which further enhanced our brand awareness and led to larger procurement volumes which resulted in strong bargaining power with suppliers, thereby achieving better procurement cost control; (b) upgrading existing products and releasing new products with relatively higher margin; (c) providing fewer promotional events to our franchisees in 2022 than in 2021 as we had established a mature sales network and strengthened our brand awareness, and (d) sourcing some of our main products such as beef tripe and beef balls from our self-operated production facilities at lower prices compared to third-party suppliers (iii) decrease in our selling and distribution expenses as a percentage of revenue from 15.9% in 2021 to 8.7% in 2022, primarily due to (a) the decrease of our advertising and promotion expenses as a result of reduced advertisements and promotional events in 2022 as our sales network matured and brand awareness strengthened and (b) the decrease in employee benefit expenses as a percentage of revenue partly attributed to our digitalization efforts including video supervision of stores and digitalized store opening process resulting in the average number of stores managed by each staff of our store operations team increasing from 3.2 as of December 31, 2020 to 10.7 as of December 31, 2022; (iv) decreased administrative expenses as a percentage of revenue from 9.0% in 2021 to 5.6% in 2022 partly attributing to decreased employee benefit expenses as a percentage of revenue due to enhanced digitalized management and operational efficiency; and (v) consolidating additional profits generated by our acquired production facilities.

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Revenue

Our total revenue increased by 33.5% from RMB2,964.7 million in 2020 to RMB3,957.8 million in 2021, primarily due to the revenue increase from the sales of home meal products and related products, and to a lesser extent, the operational support services.

Sales of home meal products and related products

Our revenue from sales of home meal products and related products increased by 33.0% from RMB2,917.9 million in 2020 to RMB3,880.2 million in 2021, primarily due to an increase in the number of stores from 4,300 as of December 31, 2020 to 6,868 as of December 31, 2021. In particular, the total number of our stores in municipalities and provincial capitals increased from 1,008 in 2020 to 1,705 in 2021. Driven by the increased number of stores, the revenue contribution from stores in municipalities and provincial capitals increased from RMB795.8 million in 2020 to RMB1,129.1 million in 2021. Moreover, our revenue contribution from franchised stores increased from RMB2,910.1 million in 2020 to RMB3,727.9 million in 2021, primarily due to the increase in revenue contribution from franchised stores opened in 2020 and

2021 from RMB1,323.7 million to RMB2,453.2 million in 2021. To a lesser extent, our continuous efforts to diversify our product offerings also contribute to our revenue growth. For example, the revenue from barbecue products increased by 72.5% from RMB170.5 million in 2020 to RMB294.2 million in 2021.

Operational support services

Our revenue from operational support services increased by 65.8% from RMB46.8 million in 2020 to RMB77.6 million in 2021, primarily due to the increase in the number of franchisees and franchised stores. We achieved rapid growth in the revenue from operational support services in 2021 compared to 2020, primarily from revenue recognized in relation to the franchised stores engaged in the second half of 2020 and the year of 2021.

Cost of Sales

Our cost of sales increased by 36.7% from RMB2,635.5 million in 2020 to RMB3,602.5 million in 2021, mainly representing an increase of cost of inventories sold from RMB2,514.1 million in 2020 to RMB3,438.9 million in 2021, which was generally in line with our business growth and sales of home meal products and related products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased by 7.9% from RMB329.3 million in 2020 to RMB355.3 million in 2021, primarily due to the increase in our total revenue from 2020 to 2021. Our gross profit margin slightly decreased from 11.1% in 2020 to 9.0% in 2021, primarily attributable to the intensified promotional events to our franchisees to improve our brand influence, which was in accordance with our rapid store network expansion. We sold our products at lower prices to eligible franchisees who opened new stores and purchased from us for the first time. Additionally, we conducted promotional activities for franchisees during the “517” shopping day, during which we sold products at more favorable prices to franchisees.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 186.0% from RMB220.1 million in 2020 to RMB629.4 million in 2021, primarily due to (i) the expansion of our personnel involved in selling and distribution from 1,223 as of December 31, 2020 to 1,741 as of December 31, 2021, to support our growing business and enhanced marketing efforts; and (ii) our substantial increase in advertising and promotion activities, such as CCTV advertising, online marketing, celebrity endorsements and offline advertisement placements, among others. In particular, we did not engage in CCTV advertising in 2020 but began to do so in 2021. In addition, we also substantially increased our offline advertisement placements in 2021 such as in buildings, subway stations, among others, to further our reach and penetrate deeper into communities. As such, our selling and distribution expenses as a percentage of our revenue increased significantly from 7.4% in 2020 to 15.9% in 2021.

Administrative Expenses

Our administrative expenses increased by 120.4% from RMB161.4 million in 2020 to RMB355.7 million in 2021, primarily due to (i) increased employee benefits driven by the expansion of our administrative force; (ii) legal, professional and consulting fees in relation to business and financing activities; and (iii) depreciation and amortization in relation to our office equipment.

Other Expenses

Our other expenses increased from RMB0.1 million in 2020 to RMB2.1 million in 2021, primarily consisting of our donations to support the flood relief efforts in Henan.

Finance Costs

Our finance costs increased from RMB2.0 million in 2020 to RMB2.8 million in 2021, primarily in relation to an increase in interest on lease liabilities for our leased offices.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased from nil in 2020 to RMB0.4 million in 2021, primarily due to the increase in our impairment losses on trade receivables, as our trade receivables increased from nil as of December 31, 2020 to RMB14.9 million as of December 31, 2021.

Other Income and Gains, Net

We recorded an increase in other income and gains from RMB11.3 million in 2020 to RMB38.7 million in 2021. Our other income increased from RMB11.8 million in 2020 to RMB27.8 million in 2021, primarily due to (i) an increase in the interest income from RMB2.2 million in 2020 to RMB16.6 million in 2021; and (ii) an increase in the government grants as rewards for our contribution to the local economic growth.

We recognized other gains of RMB10.9 million in 2021 as compared to other losses of RMB0.5 million in 2020, primarily arising from (i) our net foreign exchange gains in 2021 compared to net foreign exchange losses in 2020 in relation to the settlement of USD-denominated financing, due to fluctuations in the exchange rate of RMB against USD; and (ii) fair value gains on financial assets at fair value through profit or loss.

Income Tax (Expenses)/Credit

We recorded income tax credit of RMB135.6 million in 2021 compared to income tax expenses of RMB0.1 million in 2020.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB460.9 million in 2021, compared to a loss of RMB43.3 million in 2020.

DISCUSSION OF KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Non-Current Assets and Liabilities

The following table sets out a breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment	21,656	76,979	357,826	380,447
Right-of-use assets	33,607	80,415	152,330	149,700
Goodwill	—	—	138,010	138,010
Other intangible assets	3,847	6,063	61,064	60,396
Investment in an associate	—	—	2,000	2,000
Equity investments designated at fair value through other comprehensive income	6,250	95,750	98,838	93,094
Other non-current assets	5,467	18,115	30,957	26,567
Financial assets at fair value through profit or loss	—	129,708	187,875	207,101
Long-term bank deposits	—	181,223	526,208	500,698
Deferred tax assets	35,846	174,303	116,534	78,792
Total non-current assets	**106,673**	**762,556**	**1,671,642**	**1,638,805**
Non-current liabilities				
Deferred income	—	—	7,335	7,132
Interest-bearing bank and other borrowings	—	—	191	10,173
Lease liabilities	16,872	20,452	19,215	17,646
Deferred tax liabilities	—	1,212	61,361	64,511
Total non-current liabilities	**16,872**	**21,664**	**88,102**	**99,462**

Property, Plant and Equipment

Our property, plant and equipment mainly consist of construction in progress, office equipment, motor vehicles, machinery equipment and leasehold improvements. Our property, plant and equipment amounted to RMB21.7 million, RMB77.0 million, RMB357.8 million and RMB380.4 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The overall increase throughout the Track Record Period was mainly due to (i) our investment in production plants including Heyi Plant, Wanlai Wanqu Plant and Chengming Plant, and (ii) the procurement of office equipment and decoration for local offices.

Right-of-use Assets

Our right-of-use assets mainly consist of our leasehold land and office premises and plant. Our right-of-use assets amounted to RMB33.6 million, RMB80.4 million, RMB152.3 million and RMB149.7 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Such increase was primarily in relation to our acquisition of production plants and the lease of additional office premises to support our business expansion.

Goodwill

We recognized goodwill of nil, nil, RMB138.0 million and RMB138.0 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The goodwill mainly relates to our acquisition of Luyi Chengming in 2022. We perform an annual impairment test of goodwill by December 31 each year. See "— Critical Accounting Policies, Judgments and Estimates — Business Combinations and Goodwill" and Note 16 to the Accountants' Report in Appendix I to this prospectus.

There are a number of assumptions adopted in these calculations, which require the use of judgements and estimates. The recoverable amounts of our Group's cash generating unit (the "**CGU**") have been determined based on value-in-use (the "**VIU**") calculations. The VIU is determined by applying discounted cash flow model on pre-tax cash flow projections based on a five-year financial budget approved by the management. The discount rate used is pre-tax and reflects specific risks related to the relevant operation. The volume of revenue in each period is the main driver for revenue and costs. The growth in revenue and the relevant costs are estimated based on past performance and management's expectations for the market development. The long-term growth rate is used to extrapolate cash flows beyond the budget period.

	As of April 30, 2023
Period of financial budgets	Five years
Average annual growth rate	13.9%
Long-term growth rate	2.3%
Average gross margin	19.3%
Pre-tax discount rate	20.1%

Long-term growth rate is based on the industry growth rate, past experience and growth targets, which were consistent across the Track Record Period. Average gross margin is determined based on the past performance and management's expectations for the future, which was consistent across the Track Record Period. Pre-tax discount rate was consistent as there has been no significant change in capital structure or specific risks of Luyi Chengming's CGU throughout the Track Record Period.

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to CGU of Luyi Chengming for impairment testing.

The recoverable amount of the Luyi Chengming's CGU has been determined based on a VIU calculation using cash flow projections based on financial budgets or forecasts approved by senior management covering a five-year period. The long-term growth rate used to extrapolate the cash flows beyond the period is based on the estimated growth rate of the unit taking into account the industry growth rate, past experience and the medium or long-term growth target of the CGU.

The following table sets forth the pre-tax discount rate applied to the cash flow projections, the forecasted average sales growth rate and gross profit margin used to prepare cash flow projections and long-term growth rate used for the dates indicated:

	Average sales growth rates (during the five-year period)	Average gross profit margin (during the five-year period)	Long-term growth rate	Pre-tax discount rate
December 31, 2022	15.3%	19.3%	2.3%	20.1%
April 30, 2023	13.9%	19.3%	2.3%	20.1%

Assumptions were used in the VIU calculation of Luyi Chengming's CGU as of December 31, 2022 and April 30, 2023. The following describes each key assumption on which management has based on to undertake impairment testing of goodwill of Luyi Chengming's CGU:

Budgeted sales amounts — The budgeted sales amounts are based on the historical sales data and market outlook perceived by management.

Budgeted gross margins — The bases used to determine the values assigned to the budgeted gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency gains and expected market development.

Pre-tax discount rates — The discount rates reflect specific risks relating to the CGU.

The values assigned to the key assumptions on market development of the Luyi Chengming's CGU and discount rates are consistent with external information sources.

In the opinion of our Directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the Luyi Chengming's CGU to exceed its recoverable amount.

Sensitivity analysis

The recoverable amounts of Luyi Chengming are estimated to exceed the carrying amounts by RMB27.9 million and RMB45.1 million as of December 31, 2022 and April 30, 2023, respectively. No impairment was recognised accordingly.

The changes in the following table to assumptions used in the impairment testing review would have, in isolation, led to the Luyi Chengming's recoverable amount to be equal to its carrying value as of December 31, 2022 and April 30, 2023:

	As of December 31, 2022		As of April 30, 2023	
	From	**To**	**From**	**To**
Average sales growth rates (during the five-year period)	15.3%	14.2%	13.9%	12.4%
Average gross profit margin (during the five-year period)	19.3%	18.3%	19.3%	17.9%
Long-term growth rate	2.3%	1.1%	2.3%	0.03%
Pre-tax discount rate	20.1%	21.5%	20.1%	22.4%

Other Intangible Assets

Our other intangible assets mainly consist of software and trademark eligible for capitalization. Our other intangible assets increased from RMB3.8 million as of December 31, 2020 to RMB6.1 million as of December 31, 2021, mainly attributable to our procurement of software for upgrade of the internal IT system. Our other intangible assets further increased to RMB61.1 million as of December 31, 2022, mainly due to the fair value of the Luyi Chengming trademark we recognized during the acquisition in 2022. Our other intangible assets subsequently remained relatively stable at RMB61.1 million and RMB60.4 million as of December 31, 2022 and April 30, 2023, respectively. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end, and intangible assets of trademark are stated at cost and amortized on the straight-line basis over their estimated useful lives of ten years.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss recorded as non-current assets mainly represented our unlisted convertible redeemable preferred shares in Dmall Inc. We invest in Dmall Inc., which provided us with consulting and co-development services for digital systems. As of the Latest Practicable Date, we did not channel back the pre-IPO proceeds received from Dmall Inc. to them or vice versa. Our financial assets at fair value through profit or loss recorded as current assets represent wealth management products without guaranteed returns and, to a lesser extent, structured deposits with principal guaranteed. Such products are purchased from reputable commercial banks in the PRC, namely, China CITIC Bank, China Construction Bank and Shanghai Pudong Development Bank. See Note 40 to the Accountants' Report in Appendix I to this prospectus.

The breakdown of investments is listed below:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
		(RMB in thousands)		
Non-current assets				
Unlisted convertible redeemable preferred shares	—	129,708	187,875	207,101
Current assets				
Wealth management products	—	200,334	50,067	210,257
	—	**330,042**	**237,942**	**417,358**

The following table sets out the fair value balances of our wealth management products as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
		(RMB in thousands)		
Wealth management products without guaranteed returns	—	120,165	—	—
Structured deposits	—	80,169	50,067	210,257
Total	**—**	**200,334**	**50,067**	**210,257**

During the Track Record Period, we purchased structured deposits with an annual interest rate ranging from 1.3% to 3.8%. As of the Latest Practicable Date, 100.0% of our wealth management products as of the above dates had been redeemed and realized relevant investment returns.

Under our investment policy with respect to the purchase of such financial assets, we monitor our levels of idle cash and bank balances and use this idle cash to increase our returns based on our working capital requirements at the relevant time. In addition, we employ a comprehensive set of internal policies and guidelines to manage our investments in order to monitor the investment risks associated with our portfolio of wealth management products. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of enterprise's operations. Our Board determines our investment strategies. Prior to making any material investments in financial products or modifying our existing investment portfolio, the proposal shall be reviewed and approved by chairman of the board.

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to financial products after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Upon the Listing, we intend to continue our investments, such as structured deposits and wealth management products, strictly in accordance with our internal control policy, Articles of Association and, to the extent that such investment is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

Our internal control policy requires that we submit applications for purchasing financial products, which shall set out the details and risks of such products, before making any purchases and obtain approval from our management, who have expertise in business and financial advisory. Approval from the head of the finance department, the chief financial officer, and the chairman of the board of directors is required for purchasing financial products. And the purchase of financial products without guaranteed return requires approval from the board of directors. Additionally, our finance team assesses each financial product against our business development needs and potential risks, in adherence to our internal control policies.

Our internal control measures include checking relevant rates of return, investment risks, terms of the investment, and whether the payment of principal and estimated return are guaranteed. We also examine whether the purchase amounts are within approved limits, and obtain proper approval prior to purchasing any financial products. In general, the principal and returns of wealth management products are not protected or guaranteed by the issuing bank. We primarily invest in structured deposits and wealth management products from major commercial banks in China with relatively low risks for a short- to mid-term. The wealth management products we invest in principally involve low risk and liquid instruments that are quoted on the interbank market or exchanges in China.

After making a purchase, we closely monitor the risks of our financial products by following economic trends, interest rate changes, credit standing of the banks, and other factors. We also actively follow up with banks to ensure we receive our returns on a timely basis, in accordance with the agreements entered.

Equity Investments Designated at Fair Value Through Other Comprehensive Income

Our equity investments designated at fair value through other comprehensive income mainly represented our unlisted equity investments at fair value in Luyi Chengming, Daixiaji and Lekou Xiamen Technology Co., Ltd ("**Lekou Xiamen**"). In November 2021, we made an initial investment of RMB50.0 million in the form of capital increase in Daixiaji, a business primarily engaged in the production and sales of food products, mainly specializing in shrimp paste products. In August 2021, we made an initial investment in Lekou Xiamen, a business primarily engaged in catering and supply chain management and the production of food products. The total amount of our initial investment in Lekou Xiamen was RMB37.5 million, which comprised (i) RMB22.5 million as capital increase and (ii) RMB15.0 million as the consideration for the 1.5% equity interest that we acquired from a seller which was a limited partnership. The consideration was determined with reference to the business valuation of Lekou Xiamen considering its estimated future performance.

From time to time, we evaluate and consider strategic investments, acquisitions or alliances to enhance our product development and geographical market coverage. Under our investment policy with respect to the equity investments in companies, we consider investment targets that are synergistic to our business development and expansion plans. During the Track Record Period, we invested in Luyi Chengming, Daixiaji and Lekou Xiamen. In addition, we are currently considering a subscription of certain shares in J&T Global Express Limited (極兔速遞環球有限公司) ("**J&T Global**") (a company incorporated in the Cayman Islands which is seeking listing on the Stock Exchange), an Independent Third Party, as a placee in the global offering of J&T Global at its offer price, with total consideration not exceeding US$17 million. Such proposed investment is in line with our investment policy to make equity investments in companies that are synergistic to our overseas expansion plans, having considered the core competitiveness, strategic value and growth potential of J&T Global as a global logistics service provider. The proposed investment will not result in any material change to our financial position since the end of our Track Record Period. See "Waivers from Strict Compliance with the Listing Rules — Post-Track Record Period Acquisition" for details. We plan to (i) review the annual reports, interim reports and other announcements to be published by J&T Global in relation to its business and financial performance, and (ii) seek assistance of professional valuers or other advisors if appropriate. As an equity investment that is publicly traded, the fair value will be determined with reference to quoted market prices.

We adopted the market approach method to determine the fair values of our investments in Daixiaji and Lekou Xiamen. Specifically, the value of Daixiaji and Lekou Xiamen was independently analyzed by an external valuer using the market multiples of comparable listed companies, such as Price-to-Sales (P/S) multiple, after deducting the lack of marketability discount to derive the total equity value of Daixiaji and Lekou Xiamen. As of December 31, 2020, 2021, 2022 and April 30, 2023, the fair value of our investment in Daixiaji was nil, RMB50.0 million, RMB57.3 million and RMB56.7 million, respectively; and, the fair value of our investment in Lekou Xiamen was nil, RMB37.5 million, RMB41.6 million and RMB36.4 million, respectively. The increase in the fair value of our investments in Daixiaji and Lekou Xiamen as of December 31, 2022 was mainly attributable to the increase in revenue of these two companies in 2022, and the subsequent decrease in the fair value of our investments in Daixiaji and Lekou Xiamen as of April 30, 2023 was mainly attributable to the overall downward trend in the market.

Our equity investments designated at fair value through other comprehensive income amounted to RMB6.3 million, RMB95.8 million, RMB98.8 million and RMB93.1 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. The changes were primarily due to the overall valuation change of the investee companies and new investments measured at Level 3 in the fair value hierarchy. Further details are set forth in Note 19 to the Accountants' Report included in Appendix I to this prospectus.

Net Current Assets

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,	As of August 31,
	2020	2021	2022	2023	2023
	(RMB in thousands)				*(Unaudited)*
Current assets					
Inventories	646,588	601,616	1,047,404	550,628	498,572
Trades receivables	—	14,890	134,325	130,228	63,429
Prepayments, other receivables and other assets	294,062	479,305	440,114	511,896	512,083
Restricted cash	27,123	33,474	42,164	45,639	47,971
Financial assets at fair value through profit or loss	—	200,334	50,067	210,257	421,438
Cash and bank balances	100,821	627,573	694,954	623,148	395,989
Total current assets	**1,068,594**	**1,957,192**	**2,409,028**	**2,071,796**	**1,939,482**
Current liabilities					
Trade payables	97,405	180,993	577,481	195,686	207,083
Other payables and accruals	275,011	380,930	589,519	476,119	496,436
Interest-bearing bank and other borrowings	88,244	—	95,438	95,503	71,219
Lease liabilities	14,079	20,355	19,938	22,919	21,203
Tax payables	13,277	1,080	20,641	13,911	6,854
Total current liabilities	**488,016**	**583,358**	**1,303,017**	**804,138**	**802,795**
Net current assets	**580,578**	**1,373,834**	**1,106,011**	**1,267,658**	**1,136,687**

Our net current assets decreased from RMB1,267.7 million as of April 30, 2023 to RMB1,136.7 million as of August 31, 2023, primarily due to (i) a decrease of RMB227.2 million in cash and bank balances; (ii) a decrease of RMB66.8 million in trades receivables; and (iii) a decrease of RMB52.1 million in inventories. This was partially offset by an increase of RMB211.2 million in financial assets at fair value through profit or loss which was attributable to the purchase of structured deposits with principal guaranteed from reputable commercial banks in the PRC.

Our net current assets increased from RMB1,106.0 million as of December 31, 2022 to RMB1,267.7 million as of April 30, 2023, primarily due to (i) a decrease of RMB381.8 million in trade payables arising from our settlement of the trade payables that were related to the procurement of raw materials and food products that typically prepared for our peak season from October to February next year; (ii) a decrease of RMB113.4 million in other payables and accruals attributable to the payment of the year-end bonuses to our employees and the settlement of accrued expenses, other tax payables and other payables for property plant and equipment; and (iii) an increase of RMB160.2 million in financial assets at fair value through profit or loss; partially offset by a decrease of RMB496.8 million in inventories.

Our net current assets decreased from RMB1,373.8 million as of December 31, 2021 to RMB1,106.0 million as of December 31, 2022, primarily due to (i) an increase of RMB396.5 million in trade payables; and (ii) an increase of RMB208.6 million in other payable and accruals. This was partially offset by (i) an increase of RMB445.8 million in inventories; and (ii) an increase of RMB119.4 million in trade receivables.

Our net current assets increased from RMB580.6 million as of December 31, 2020 to RMB1,373.8 million as of December 31, 2021, primarily due to (i) an increase of RMB526.8 million in cash and bank balances; (ii) an increase of RMB200.3 million in financial assets at fair value through profit or loss; and (iii) an increase of RMB185.2 million in prepayments, other receivables and other assets. This was partially offset by (i) a decrease of RMB45.0 million in inventories; (ii) an increase of RMB105.9 million in other payables and accruals; and (iii) an increase of RMB83.6 million in trade payables.

Inventories

Our inventories primarily comprise (i) raw materials for food production, and (ii) finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
		(RMB in thousands)		
Raw materials	—	33,544	94,774	124,730
Finished goods	646,588	568,072	956,528	432,119
Provision for impairment of inventories	—	—	(3,898)	(6,221)
Total	646,588	601,616	1,047,404	550,628

Our inventories decreased from RMB646.6 million as of December 31, 2020 to RMB601.6 million as of December 31, 2021, as we increased purchase of finished goods in late 2020 in anticipation of supply chain disruptions induced by the COVID-19 pandemic. We reduced the level of inventories for finished goods in 2021 as we improved our operational efficiency. The decrease in inventories was partially offset by the increase of RMB33.5 million in raw materials, arising from the acquisition of two food production plants in 2021.

Our inventories increased to RMB1,047.4 million as of December 31, 2022, primarily due to an increase in the level of inventories for finished goods, as a result of (i) the growing number of our franchised stores; (ii) our increased purchase of finished goods in preparation of the relatively early spring festival in mid-January 2023; and (iii) our increased level of inventories in the second half of 2022 in preparation of the supply chain disruptions resulted from the COVID-19 pandemic. In addition, we had an increase of RMB61.2 million in raw materials, as two of our production facilities, Heyi Plant and Wanlai Wanqu Plant, were fully put into operation, along with the acquisition of Luyi Chengming in 2022.

Our inventories subsequently decreased from RMB1,047.4 million as of December 31, 2022 to RMB550.6 million as of April 30, 2023, primarily due to a strategic stock up of hotpot products during the end of 2022 and the subsequent sales of such products during our peak season in the first two months of 2023.

We assess impairment to inventories from time to time during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become expired or damaged, or their prices went down, and their net realizable value substantially decreases. During the Track Record Period, we recognized provision for impairment of inventories of nil, nil, RMB3.9 million and RMB6.2 million, as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively.

All of our inventories aged within one year throughout the Track Record Period. The following table sets forth our inventory turnover days for the Track Record Period:

	Year ended December 31,			Four Months ended April 30,
	2020	**2021**	**2022**	**2023**
Inventory turnover days[(1)]	56.3	63.2	50.8	58.5

Note:

(1) Calculated using the average of opening balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by the number of days during such period.

Our inventory turnover days increased in 2020 and 2021, being 56.3 days and 63.2 days, respectively, and decreased to 50.8 days in 2022, which reflects our increase in sales as well as improved operational efficiency in supply chain management. Our inventory turnover days subsequently increased from 50.8 days in 2022 to 58.5 in the four months ended April 30, 2023, primarily due to a strategic stock up of raw materials for food production.

As of August 31, 2023, RMB457.7 million, or approximately 82.2% of our inventories as of April 30, 2023 had been subsequently consumed or sold.

Trade Receivables

Our trade receivables mainly relate to the amounts due from food wholesalers, and other customers including restaurants, supermarkets and other enterprises. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Trade receivables	—	15,316	139,335	141,700
– Not past due	—	10,239	51,808	10,507
– Past due less than 90 days	—	5,077	84,032	51,978
– Past due more than 90 days	—	—	3,495	79,215
Impairment	—	(426)	(5,010)	(11,472)
Total	—	14,890	134,325	130,228

We typically set forth the trading terms with our customers in the relevant sales contracts. During the Track Record Period, we believe that we have implemented effective credit management system and policies. We generally require our franchisees to pay in advance before we deliver the products. We provide certain enterprise customers with a credit term of generally one month, extending up to six months, subject to the creditworthiness of the relevant customers, according to our customer credit management system. We assess the creditworthiness of our customers by taking into account their historical transactions, past experience and historical settlement pattern and adjustment for forward looking. In addition, we arranged designated sales personnel and personnel from our finance team to actively follow up with these enterprise customers and discuss the repayment plans with them when needed. We arranged designated sales personnel and personnel from our finance team to actively follow up on overdue invoices. As of the Latest Practicable Date, the five customers with the largest trade receivables balance aging over 90 days as of April 30, 2023 had fully settled their respective outstanding trade receivables as of April 30, 2023. Based on these factors, we consider the risk of default to be limited. Our management considers that there was no significant concentration of credit risk with any single customer as of April 30, 2023. There has been no material change in counterparty credit risk since April 30, 2023, and the amount of trade receivables that have been settled as of April 30, 2023 was in line with our management's expectations, having taken into consideration of the enterprise customers' ongoing business activities, market conditions, as well as their financial strength and shareholder background. Based on the actual repayment pattern exhibited by our customers in late 2022 and first half of 2023, the recoverability of the trade receivables was in line with the management's expectation and there was no material deviation that indicates an adjustment in expected credit loss rate for trade receivables. We did not have material collection issues with our customers during the Track Record Period and up to the Latest Practicable Date.

We use a provision matrix to calculate expected credit losses (the "**ECLs**") for trade receivables. The provision matrix is initially based on age-based migration rates of past due trade receivables. We calibrated the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail sector, the historical default rates are adjusted. The determination of loss rates takes into account migration rate of past due trade receivables, historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. See Note 23 to the Accountants' Report in Appendix I to this prospectus. As of December 31, 2020, 2021 and 2022 and April 30, 2023, we recorded impairment of trade receivables of nil, RMB0.4 million, RMB5.0 million and RMB11.5 million, respectively.

In view of the sound collection history of trade receivables, our management believes that the credit risk inherent in our outstanding trade receivable balances due from the customers is not significant and the general provision made is sufficient.

Our trade receivables increased from nil as of December 31, 2020 to RMB14.9 million as of December 31, 2021, primarily because (i) we strategically diversified sales channels in 2021 and sold home meal products and related products directly to restaurants and supermarkets; and (ii) we had additional receivables due from enterprise customers as we acquired two food production plants, Heyi Plant and Wanlai Wanqu Plant, in 2021, and took on the trade receivables primarily owed by their enterprise customers, such as restaurants and supermarkets. The trade receivables relating to these two plants amounted to RMB6.5 million as of December 31, 2021. Our trade receivables amounted to RMB134.3 million and RMB130.2 million as of December 31, 2022 and April 30, 2023, respectively, mainly representing an increase in our transactions with, and receivables due from, (i) our suppliers of food products and food wholesalers to whom we sold ingredients we purchased in bulk, see "Business — Our Transaction Flow — Our Customers," (ii) enterprise customers who directly purchased from our production plants, with trade receivables relating to these plants amounting to RMB22.8 million as of December 31, 2022, and RMB13.0 million as of April 30, 2023, and (iii) supermarkets. Such increase was primarily attributable to our expanding production capacity.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Trade receivable				
Within 1 month	—	10,118	51,494	10,432
1 to 3 months	—	4,198	80,681	35,364
3 to 6 months	—	574	684	78,373
6 to 12 months	—	—	1,182	6,048
1 to 2 years	—	—	284	11
Total	**—**	**14,890**	**134,325**	**130,228**

The following table sets forth an aging analysis of our trade receivables of food wholesalers, supermarkets, restaurants and others as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Food wholesalers				
Within 1 month	—	6,706	45,693	9,148
1 to 3 months	—	2,357	78,453	34,623
3 to 6 months	—	—	510	76,072
6 to 12 months	—	—	1,039	5,310
1 to 2 years	—	—	276	10
Subtotal	**—**	**9,063**	**125,971**	**125,163**
Supermarkets, restaurants and others				
Within 1 month	—	3,412	5,801	1,284
1 to 3 months	—	1,841	2,228	741
3 to 6 months	—	574	174	2,301
6 to 12 months	—	—	143	738
1 to 2 years	—	—	8	1
Subtotal	**—**	**5,827**	**8,354**	**5,065**
Total	**—**	**14,890**	**134,325**	**130,228**

The following table sets forth our trade receivables turnover days for the Track Record Period:

	Year ended December 31,			Four Months ended April 30,
	2020	**2021**	**2022**	**2023**
Trade receivables turnover days(1)	—	0.7	3.9	8.1

Note:

(1) Trade receivables turnover days for a period are calculated using the average of opening balance and closing balance of the trade receivables (excluding provision for impairment) for such period divided by revenue for the relevant period and multiplied by the number of days during such period.

Our trade receivables turnover days were nil , 0.7 days, 3.9 days and 8.1 days in 2020, 2021 and 2022 and the four months ended April 30, 2023 respectively. The overall increase throughout the Track Record Period was primarily due to the increase in the trade receivables as we expanded sales channels, where we grant credit terms to eligible customers up to 180 days.

As of August 31, 2023, RMB79.4 million, or approximately 56.0% of our trade receivables as of April 30, 2023 had been subsequently collected.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily comprise prepayments, deposits to our suppliers for products procurement, VAT recoverable and others. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Prepayments	170,601	297,949	230,092	331,378
Deposits	39,872	37,515	28,124	28,810
Receivable due from online payment platforms	—	16,957	61,455	3,531
Recoverable VAT	46,592	60,478	61,800	69,929
Amounts due from related parties(1)	19,236	49,734	22,063	20,605
Others	17,761	16,672	36,580	57,643
Total	**294,062**	**479,305**	**440,114**	**511,896**

Note:

(1) Representing the prepayments and deposits paid to the suppliers who were our related parties, and were trade in nature. See Note 39 to the Accountants' Report in Appendix I to this prospectus.

Our prepayments, other receivables and other assets increased from RMB294.1 million as of December 31, 2020 to RMB479.3 million as of December 31, 2021, primarily representing an increase in the prepayments to our major suppliers. Our prepayments, other receivables and other assets decreased from RMB479.3 million as of December 31, 2021 to RMB440.1 million as of December 31, 2022, primarily due to a decrease in prepayments as we were granted more favorable payment terms by our major suppliers. Our prepayments, other receivables and other assets increased from RMB440.1 million as of December 31, 2022 to RMB511.9 million as of April 30, 2023, primarily due to an increase in prepayments in relation to the inventories for sales of home meal products, including certain imported food ingredients, which was partially offset by a decrease in receivables due from online payment platforms as we settled with such platforms.

As of August 31, 2023, RMB257.0 million, or approximately 50.2% of our prepayments, other receivables and other assets as of April 30, 2023 had been subsequently settled.

Trade Payables

Our trade payables represent our obligation to pay for goods or services that have been purchased from suppliers in the ordinary course of business.

Our trade payables increased from RMB97.4 million as of December 31, 2020 to RMB181.0 million as of December 31, 2021, primarily attributable to our expansion of business, which resulted in an increase in purchase of goods. Our trade payables increased from RMB181.0 million as of December 31, 2021 to RMB577.5 million as of December 31, 2022, primarily due to (i) our increased procurement in preparation of peak season from October to February next year; (ii) our business expansion; and (iii) the more favorable payment terms our suppliers granted us. In 2022, certain suppliers that previously required prepayments began to grant us credit terms for the raw materials and products we procured. Our trade payables decreased from RMB577.5 million as of December 31, 2022 to RMB195.7 million as of April 30, 2023, primarily due to the settlement of trade payables in relation to the raw materials and food products procured towards the end of 2022.

The following table sets forth an aging analysis of our trade payables based on invoice date as of the dates indicated:

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
		(RMB in thousands)		
Within 1 month	87,756	175,777	531,637	126,734
1 to 3 months	8,655	3,087	40,629	44,428
3 to 6 months	667	470	1,891	20,817
6 months to 1 year	83	1,631	1,362	760
Over 1 year	244	28	1,962	2,947
Total	**97,405**	**180,993**	**577,481**	**195,686**

The following table sets forth our trade payables turnover days for the Track Record Period:

	Year ended December 31			Four Months ended April 30,
	2020	2021	2022	2023
Trade payable turnover days[(1)]	10.8	14.1	23.4	28.3

Note:

(1) Trade payable turnover days for a period are calculated using the average of opening balance and closing balance of the trade payables for such period divided by cost of sales for the relevant period and multiplied by the number of days during such period.

Our trade payable turnover days increased from 10.8 days in 2020 to 14.1 days in 2021, and further to 23.4 days in 2022 and 28.3 days in the four months ended April 30, 2023, representing our enhanced bargaining power with our suppliers.

As of August 31, 2023, RMB173.3 million, or approximately 88.6% of our trade payables as of April 30, 2023 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily comprise (i) receipt on behalf of franchisees for prepaid cards, (ii) staff salaries, bonuses and welfare payables, (iii) deposits and (iv) contract liabilities. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Receipt on behalf of franchisees for prepaid cards	67,808	83,687	118,223	114,048
Staff salaries, bonuses and welfare payables	47,486	88,597	115,829	84,196
Deposits	46,822	72,803	111,525	117,901
Contract liabilities	54,663	61,398	91,140	76,006
Accrued expenses	14,276	29,354	54,320	26,297
Other tax payables	18,594	23,037	40,550	15,372
Other payables for property, plant and equipment	—	6,727	39,104	24,021
Other payables[(1)]	25,362	15,327	18,828	18,278
Total	**275,011**	**380,930**	**589,519**	**476,119**

Note:

(1) Other payables mainly include other tax payables relating to our contract liabilities and collection of franchised store sales on behalf of franchisees.

Our other payables and accruals increased from RMB275.0 million as of December 31, 2020 to RMB380.9 million as of December 31, 2021, and further increased to RMB589.5 million as of December 31, 2022, primarily due to the increase in (i) the receipt on behalf of franchisees for prepaid cards, representing the amounts prepaid but not yet consumed in the prepaid cards we issued; (ii) the staff salaries, bonuses and welfare payables in line with our expansion of workforce; (iii) the deposits received from franchisees due to our expansion of franchised store network; (iv) the other payables for property, plant and equipment in relation to the acquisition of production plants; and (v) the contract liabilities. Our other payables and accruals decreased from RMB589.5 million as of December 31, 2022 to RMB476.1 million as of April 30, 2023, primarily due to (i) the decrease in staff salaries, bonuses and welfare payables attributable to the payment of year-end bonus with our employees; (ii) the settlement of accrued expenses in relation to promotion activities; and (iii) the decrease in other tax payables as in line with the seasonality of our business.

Our contract liabilities primarily represent our obligation to provide products or services to franchisees from whom we have received consideration (or an amount of consideration is due), primarily consisting of (i) advanced payments for home meal products and related products, which are in delivery and have not yet been accepted by the franchisees, and (ii) operational support service fees to be recognized as revenue.

	As of December 31,			**As of April 30,**
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Short-term advances received from customers:				
Sales of home meal products and related products	23,422	20,920	22,190	15,954
Operational support service fees	31,241	40,478	68,950	60,052
Total Contract liabilities	**54,663**	**61,398**	**91,140**	**76,006**

Our contract liabilities increased from RMB54.7 million as of December 31, 2020 to RMB61.4 million as of December 31, 2021, and further increased significantly to RMB91.1 million as of December 31, 2022, primarily arising from our expansion of franchisee network. Our contract liabilities subsequently decreased from RMB91.1 million as of December 31, 2022 to RMB76.0 million as of April 30, 2023, primarily due to the decrease in advanced payments received in relation to (i) home meal products and related products before delivery and (ii) operational support service fees. Such advanced payments are not recognized as revenue.

As of August 31, 2023, RMB45.3 million, or approximately 59.6% of our contract liabilities as of April 30, 2023 had been subsequently recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations and capital contribution from shareholders. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Four Months ended April 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Operating profit/(loss) before changes in working capital	(12,628)	(575,919)	322,028	(27,724)	171,831
Working capital changes	(516,496)	(16,811)	(41,105)	71,978	(61,615)
Income tax paid	(14,613)	(14,066)	(709)	(637)	(8,348)
Interest received	2,235	8,769	5,069	1,733	2,371
Net cash (used in)/generated from operating activities	**(541,502)**	**(598,027)**	**285,283**	**45,350**	**104,239**
Net cash (used in)/from investing activities	(32,040)	(864,443)	(40,399)	329,426	(256,970)
Net cash from/(used in) financing activities	576,839	1,777,147	32,529	(8,440)	925
Net increase/(decrease) in cash and cash equivalents	3,297	314,677	277,413	(292,516)	(151,806)
Cash and cash equivalents at the beginning of the year/period	100,346	100,821	417,573	417,573	694,954
Effect of foreign exchange differences, net	(2,822)	2,075	(32)	—	—
Cash and cash equivalents at the end of the year/period	100,821	417,573	694,954	125,057	543,148

Net Cash Flows (Used in)/Generated from Operating Activities

In the four months ended April 30, 2023, our net cash generated from operating activities was RMB104.2 million, which is calculated by adjusting our profit before income tax of RMB163.5 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB171.8 million, further adjusted by working capital changes mainly comprising a decrease in inventories of RMB494.5 million, partially offset by a decrease in trade payables of RMB381.8 million and a decrease in other payables and accruals of RMB98.3 million.

In 2022, our net cash generated from operating activities was RMB285.3 million. Our net cash generated from operating activities is calculated by adjusting our profit before income tax of RMB332.0 million by non-cash and other items to arrive at an operating profit before working capital changes of RMB322.0 million, further adjusted by working capital changes mainly comprising an increase in trade payables of RMB320.2 million and an increase in other payables and accruals of RMB121.8 million, partially offset by an increase in inventories of RMB411.4 million and an increase in trade receivables of RMB113.9 million.

In 2021, our net cash used in operating activities was RMB598.0 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB596.5 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB575.9 million, further adjusted by working capital changes mainly comprising an increase in prepayments, other receivables and other assets of RMB159.0 million, partially offset by an increase in trade payables of RMB74.6 million.

In 2020, our net cash used in operating activities was RMB541.5 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB43.2 million by non-cash and other items to arrive at an operating loss before working capital changes of RMB12.6 million, further adjusted by working capital changes mainly comprising (i) an increase in inventories of RMB480.4 million and (ii) an increase in prepayments, other receivables and other assets of RMB188.5 million, partially offset by an increase in other payables and accruals of RMB124.3 million.

Net Cash Flows Used in Investing Activities

In the four months ended April 30, 2023, our net cash used in investing activities was RMB257.0 million, which was mainly attributable to the purchase of financial assets at fair value through profit or loss of RMB340.0 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB180.8 million.

In 2022, our net cash used in investing activities was RMB40.4 million, which was mainly attributable to the purchase of financial assets at fair value through profit or loss of RMB805.1 million and the increase in bank deposits with original maturity of more than three months when acquired of RMB330.0 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB959.8 million.

In 2021, our net cash used in investing activities was RMB864.4 million, which was mainly attributable to the purchase of financial assets at fair value through profit or loss of RMB839.7 million and the increase in bank deposits with original maturity of more than three months when acquired of RMB710.0 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB518.6 million.

In 2020, our net cash used in investing activities was RMB32.0 million, which was mainly attributable to the purchase of financial assets at fair value through profit or loss of RMB891.0 million and the purchase of items of property, plant and equipment of RMB25.8 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB893.2 million.

Net Cash Flows Generated from Financing Activities

In the four months ended April 30, 2023, our net cash generated from financing activities was RMB0.9 million, which was mainly attributable to the proceeds from interest-bearing bank and other borrowings of RMB100.0 million and the capital injection from non-controlling equity holders of RMB2.5 million, partially offset by the repayment of interest-bearing bank and other borrowings of RMB90.0 million, the payment of lease liabilities of RMB7.9 million, the dividends paid to non-controlling equity holders of RMB2.3 million and the interest paid for interest-bearing bank and other borrowings of RMB1.4 million.

In 2022, our net cash generated from financing activities was RMB32.5 million, which was mainly attributable to the proceeds from interest-bearing bank and other borrowings of RMB40.5 million, partially offset by the repayment of lease liabilities of RMB27.0 million.

In 2021, our net cash generated from financing activities was RMB1,777.1 million, which was mainly attributable to the capital injection from investors of RMB1,869.1 million, partially offset by the repayment of interest-bearing bank and other borrowings of RMB107.9 million.

In 2020, our net cash generated from financing activities was RMB576.8 million, which was mainly attributable to the capital injection from investors of RMB618.2 million and the proceeds from interest-bearing bank and other borrowings of RMB107.8 million, partially offset by the repayment of interest-bearing bank and other borrowings of RMB136.9 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,	As of August 31,
	2020	**2021**	**2022**	**2023**	**2023**
	(RMB in thousands)				
					(Unaudited)
Borrowings	88,244	—	95,629	105,676	80,375
Lease Liabilities	30,951	40,807	39,153	40,565	34,512
Total	**119,195**	**40,807**	**134,782**	**146,241**	**114,887**

Borrowings

We had interest-bearing bank and other borrowings of RMB88.2 million as of December 31, 2020, nil as of December 31, 2021, RMB95.6 million as of December 31, 2022, RMB105.7 million as of April 30, 2023, and RMB80.4 million as of August 31, 2023, being the indebtedness date for the purpose of the indebtedness statement. The effective interest rates per annum of our bank and other borrowings were 3.95%-5.88%, nil, 4.50%-6.90%, 4.50%-6.90% and 4.50%-6.90% in 2020, 2021 and 2022, the four months ended April 30, 2023, and the eight months ended August 31, 2023, respectively.

	As of December 31,			As of April 30,	As of August 31,
	2020	2021	2022	2023	2023
	(RMB in thousands)				
					(Unaudited)
Current					
Bank loans — secured	30,182	—	55,076	55,159	51,167
Bank loans — unsecured	10,037	—	40,309	40,293	20,000
Other borrowings — secured	275	—	53	51	—
Other borrowings — unsecured	47,750	—	—	—	52
Subtotal	88,244	—	95,438	95,503	71,219
Non-current					
Bank loans — secured	—	—	—	10,000	9,000
Other borrowings — secured	—	—	191	173	156
Subtotal	—	—	191	10,173	9,156
Total	**88,244**	**—**	**95,629**	**105,676**	**80,375**

Our borrowings were primarily used to finance our increased working capital requirements driven by our business expansion during the Track Record Period. Our secured bank loans were primarily guaranteed by certain related party or certain property, plant and equipment and right-of-use assets. The guarantees by related parties were subsequently released during the Track Record Period and up to the Latest Practicable Date. See Note 27 to the Accountants' Report in Appendix I to this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of August 31, 2023, we had unutilized banking facilities of RMB100.0 million, of which RMB60.0 million was secured by certain right-of-use assets and property and plant and equipment. We do not anticipate any changes to the availability of bank financing to finance our operations in the future. However, we cannot guarantee that we will be able to access bank financing on favorable terms, or at all.

Lease Liabilities

We recognized lease liabilities of RMB31.0 million, RMB40.8 million, RMB39.2 million, RMB40.6 million and RMB34.5 million as of December 31, 2020, 2021 and 2022, April 30, 2023 and August 31, 2023, respectively, primarily attributable to our increased number of leased properties.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2020, 2021 and 2022, April 30, 2023, and August 31, 2023, respectively.

Indebtedness Statement

Except as disclosed above, as of August 31, 2023, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since August 31, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates indicated, or for the periods indicated:

	As of/Year ended December 31,			As of/Four Months ended April 30,
	2020	2021	2022	2023
Revenue growth	N/A	33.5%	81.2%	(3.8%)
Gross profit margin[1]	11.1%	9.0%	17.4%	21.1%
Net profit/(loss) margin[2]	(1.5%)	(11.6%)	3.4%	5.8%
Adjusted net profit/(loss) margin (non-IFRS measure)[3]	(0.9%)	(11.4%)	3.6%	6.3%
Current ratio[4]	2.2	3.4	1.8	2.6
Quick ratio[5]	0.9	2.3	1.0	1.9
Gearing ratio[6]	15.1%	1.9%	4.9%	5.1%
Inventory turnover days[7]	56.3	63.2	50.8	58.5

Notes:

(1) Gross profit margin is calculated by dividing gross profit by our revenue.

(2) Calculated using net profit for the period divided by total revenue for the period.

(3) Calculated as adjusted net profit/(loss) (non-IFRS measure) for the period divided by total revenue for the period.

(4) Calculated using current assets divided by current liabilities at the end of period.

(5) Calculated using current assets minus inventory, divided by current liabilities at the end of period.

(6) Calculated using the total of interest-bearing borrowings and lease liabilities divided by the total of interest-bearing borrowings, lease liabilities and equity attributable to owners of the parent and multiplied by 100%.

(7) Calculated using the average of opening balance and closing balance of the inventories for such period divided by cost of sales for the relevant period and multiplied by the number of days during such period.

Our current ratio increased from 1.8 as of December 31, 2022 to 2.6 as of April 30, 2023, and our quick ratio increased from 1.0 as of December 31, 2022 to 1.9 as of April 30, 2023, primarily representing the decrease in our current liabilities, which was attributable to a decrease of RMB381.8 million in trade payables and a decrease of RMB113.4 million in other payables and accruals. Our current ratio decreased from 3.4 as of December 31, 2021 to 1.8 as of December 31, 2022, and our quick ratio decreased from 2.3 as of December 31, 2021 to 1.0

as of December 31, 2022, primarily representing an increase in our current liabilities attributable to an increase of RMB396.5 million in trade payables, which resulted from our increased procurement and business expansion, as well as an increase of RMB208.6 million in other payable and accruals. Our current ratio increased from 2.2 as of December 31, 2020 to 3.4 as of December 31, 2021, and our quick ratio increased from 0.9 as of December 31, 2020 to 2.3 as of December 31, 2021, primarily due to an increase in our current assets attributable to an increase of RMB526.8 million in cash and bank balances and an increase of RMB200.3 million in financial assets at fair value through profit or loss.

Our gearing ratio increased from 4.9% as of December 31, 2022 to 5.1% as of April 30, 2023, primarily due to the increase of interest-bearing bank and other borrowings from RMB95.6 million as of December 31, 2022 to RMB105.7 million as of April 30, 2023. Our gearing ratio increased from 1.9% as of December 31, 2021 to 4.9% as of December 31, 2022, primarily due to the increase of interest-bearing bank and other borrowings from nil in 2021 to RMB95.6 million in 2022. Our gearing ratio decreased significantly from 15.1% as of December 31, 2020 to 1.9% as of December 31, 2021, primarily due to the decrease of interest-bearing bank and other borrowings from RMB88.2 million in 2020 to nil in 2021 and the increased amount of capital injection from investors in 2021.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures primarily consisted of expenditures on property, plant and equipment such as computers, electronic equipment and office equipment, as well as purchase of other intangible assets. The table below sets forth our capital expenditure for the periods indicated:

	Year ended December 31,			Four Months ended April 30,
	2020	**2021**	**2022**	**2023**
	(RMB in thousands)			
Purchase of property, plant and equipment	25,849	63,864	116,317	48,758
Purchase of other intangible assets	2,609	11,382	1,660	875

Our capital expenditures were RMB28.5 million, RMB75.2 million, RMB118.0 million and RMB49.6 million in 2020, 2021 and 2022 and the four months ended April 30, 2023, respectively. We expect to incur additional capital expenditures in 2023 primarily for purchase of property, plant and equipment. We expect to finance such capital expenditures through operating cash flows. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(RMB in thousands)			
Contracted but not provided for — purchase of property, plant and equipment	8,224	64,719	25,815	13,000

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. To provide administrative filing, exhibition coordination and customer introduction to the entities located in the Luyi Chengming Food Industrial Zone (鹿邑澄明食品工業園), Luyi Chengming Industrial Zone Management Co., Ltd. (鹿邑縣澄明產業園管理有限公司) ("**Chengming Management**") was established in August 2022 by Ms. Yang, the daughter of Mr. Yang. Chengming Management was identified as a related party of our Group from August 2022 to May 2023 as it was controlled by Ms. Yang. Chengming Management was subsequently disposed to Independent Third Parties in May 2023 and ceased to be a related party of our Group since then. See Note 39 to the Accountants' Report in Appendix I to this prospectus.

Our Directors are of the view that each of the related party transactions set out in Note 39 to the Accountants' Report in Appendix I was conducted in the ordinary course of business and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

We have adopted risk management program focused on minimizing potential adverse effects of the unpredictability of financial markets as we are exposed to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign Currency Risk

Our major businesses are carried out in Mainland China and most of the transactions are conducted in RMB. Most of our assets and liabilities are denominated in RMB. We do not have material foreign currency risk during the Track Record Period.

Interest rate risk

Our bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. Our Directors consider our exposure to interest rate risk in respect of bank balances, long-term bank deposits and interest-bearing bank and other borrowings is not significant as most of them are at fixed interest rate.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. For the analysis of the credit quality and the maximum exposure to credit risk based on our credit policy, see Note 42 to the Accountants' Report in Appendix I.

Liquidity Risk

We monitor and maintain a level of cash and bank balances deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows. For the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, see Note 42 to the Accountants' Report in Appendix I.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize equity holders value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDENDS AND DIVIDEND POLICY

We did not declare or distribute any dividend to our Shareholders during the Track Record Period. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

WORKING CAPITAL CONFIRMATION

Our Directors are of the opinion that, taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements, that is at least 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of April 30, 2023, our Company had distributable reserves of RMB100.1 million.

LISTING EXPENSES

The listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses, including underwriting commission for the Global Offering, will be approximately HK$79.8 million (including (i) underwriting commission of approximately HK$16.5 million, and (ii) non-underwriting related expenses of approximately HK$63.3 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately HK$36.4 million, and other fees and expenses of approximately HK$26.9 million), representing approximately 19.4% of the gross proceeds from the Global Offering, (based on the Offer Price of HK$5.98 per Offer Share and assuming no exercise of the Over-allotment Option), of which approximately HK$18.8 million is directly attributable to the issue of our Offer Shares to the public and will be deducted from equity, and approximately HK$61.0 million is expected to be expensed upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this prospectus for details.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since April 30, 2023, being the end date of the periods reported in the Accountants' Report set out in Appendix I, and there is no event since April 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Based on the Offer Price of HK$5.98 per H Share, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming that the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK$356.5 million from the Global Offering. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 40.0% of the net proceeds, or HK$142.6 million, to improve our supply chain capabilities by enhancing our production capacity and efficiency. In particular:

  o approximately 25.0% of the net proceeds, or HK$89.1 million, for increasing our production capacity to further implement our one-product-one-factory strategy for popular products as measured by amount of revenue derived, that are sold nationwide and currently have high annual procurement amounts. To this end, we plan to build, invest in, or acquire domestic and overseas upstream factories, purchase production equipment, and recruit production and quality inspection personnel. Specifically, we seek to select well-established food factories with sufficient production track record with at least one full year of operation and production capacity for the specific products for which we intend to implement our one-product-one-factory strategy, and are in close proximity to the sources of high-quality raw materials for such products. We would determine whether to obtain majority interest in the targets upon considering the target's valuation, production capabilities and the circumstances of our negotiations. If the net proceeds are insufficient to cover the acquisition costs, we will finance the shortfall either with our own funds or through bank loans. As of the Latest Practicable Date, we had not identified or committed to any strategic investment or acquisition targets.

  o approximately 15.0% of the net proceeds, or HK$53.5 million, will be used to upgrade and expand our existing production plants and production lines to expand the offering of self-produced products, and hire approximately 90 additional employees in the next one to two years for our existing three production plants: (a) approximately 12.0% of the net proceeds, or approximately HK$42.8 million) will be used to (1) to purchase new and upgrade existing equipment to enhance the automation level of our existing production and warehousing facilities to further improve operating efficiency and achieve greater economies of scale, and (2) construct new production lines in new buildings within our existing production plants; (b) approximately 0.2% of the net proceeds, or approximately HK$0.5 million) for the operation of the new production lines and equipment; and (c) approximately 2.8% of the net proceeds, or approximately HK$10.2 million) to hire additional procurement personnel, production personnel, warehouse management personnel as well as highly skilled personnel to operate such equipment and for the expanded production capacities. We plan to hire approximately 20 to 50 employees in 2023, followed by approximately 60 to 90 additional employees each year from 2024 to 2027. We plan to supplement any shortfall in the purchase of equipment and the construction of new production lines with internal resources, having considered the available financial resources, including our cash and cash equivalents as of August 31, 2023, and the cashflow from our operating activities.

- approximately 40.0% of the net proceeds, or HK$142.6 million will be used for opening and operating our self-operated stores. Specifically, we plan to open premium stores in Hong Kong, Macau and selected cities in Southeast Asia to offer high-end products as well as expanding our overseas operation and marketing team by hiring approximately 30 employees in the next three years. We plan to open approximately 20 to 25 self-operated stores per year in 2024 and 2025 and hire approximately three employees for the operation and management of each store. We plan to supplement any shortfall in such costs with internal resources, having considered the available financial resources, including our cash and cash equivalents as of August 31, 2023, and the cashflow from our operating activities.

- approximately 10.0% of the net proceeds, or HK$35.6 million will be used to build product R&D centers as well as upgrade and purchase related equipment. During the Track Record period, we acquired three production facilities to produce beef products, meatballs and hotpot soup base, and developed 66, 185, 173 and 45 new SKUs, which generally had higher profit margins, in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. We plan to continue to build joint R&D centers in collaboration with upstream suppliers, universities, and other institutions, as well as independently setting up new R&D centers targeting our core products and high-end product lines. For example, we plan to establish a new R&D center in Luyi County, focusing on the R&D and testing of a wide range of products to innovate. We believe that developing new SKUs of comparatively higher profit margins and increasing the range of products produced by each of our production facilities will enhance the core competitive and operational efficiencies of our production facilities. Upon completion, this R&D center will collaborate with certified testing institutions and universities with renowned food technology R&D departments to focus on the production development and food quality research of beef, lamb, soup base and ready-to-cook meals, among others. We also expect to purchase or upgrade relevant equipment for new and existing R&D centers and continue to expand our R&D team through hiring approximately 20 to 30 R&D personnel in the next three years to enhance our capabilities of developing new products with high quality.

- approximately 10.0% of the net proceeds, or HK$35.6 million, as working capital and for general corporate uses.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be HK$59.2 million (based on the Offer Price of HK$5.98 per Share).

To the extent that the net proceeds from the Global Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong or the PRC for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

Central China International Capital Limited

GF Securities (Hong Kong) Brokerage Limited

Lighthouse Capital (HK) Financial Limited

Futu Securities International (Hong Kong) Limited

Tiger Brokers (HK) Global Limited

Livermore Holdings Limited

Silverbricks Securities Company Limited

Victory Securities Company Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 6,880,800 Hong Kong Offer Shares and the International Offering of initially 61,922,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on October 19, 2023. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option), on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute discretion, shall have the right by giving a written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there shall develop, occur, exist or come into force:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom and the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant competent authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of comprehensive sanctions under any sanctions laws or regulations in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the **GREEN** Application Form, the offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

(ix) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

(x) any litigation, dispute, proceeding, legal action or claim or regulatory investigation or action being threatened, instigated or announced against any member of the Group or any Director or Supervisor;

(xi) any contravention by any member of the Group or any Director or Supervisor of any applicable laws and regulations or the Listing Rules; or

(xii) any non-compliance of this prospectus, the CSRC filings or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or any aspect of the Global Offering with any applicable Laws (including, without limitation, the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the CSRC rules); or

(xiii) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed "Risk Factors" in this prospectus; or

(xiv) any Director or Supervisor is vacating his or her office; or

(xv) any Director or Supervisor is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or Supervisor in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(xvi) there is an order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole;

(2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus, the **GREEN** Application Form, the disclosure package, the preliminary offering circular or the final offering circular (as defined below), the Overall Coordinator announcement and any other documents issued, given

or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering (including all amendments or supplements thereto) (the "**Offering Documents**"); or

(4) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Overall Coordinators that:

(i) any statement contained in any of the Offering Documents and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto (the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents;

(iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete in any material respect or misleading, any of the warranties given by the Company or any of the Warranting Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(iv) there is a material breach of any of the obligations imposed upon the Company or any of the Warranting Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;

(v) there is an event, act or omission which gives or is likely to give rise to any material liability of the Company or any of the Warranting Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vi) there is any material adverse change;

(vii) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued or sold pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld in writing;

(viii) any person named as expert in this prospectus (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or.

(xi) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under the Cornerstone Investment Agreements, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering (including the Over-allotment Option), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(i) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertaking by the Company

The Company undertakes to each of the Joint Sponsors and the Sponsor-OCs, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), the Company will not, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

(a) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable, or deposit any share capital or other securities of the Company, as applicable, with a depository in connection with the issue of depository receipts); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraph (a), (b) or (c) above,

in each case, whether any such transaction described in paragraph (a), (b) or (c) above is to be settled by delivery of the H Shares or other securities of the Company, as applicable, in cash or otherwise (whether or not the issue of such H Shares or other securities of the Company, as applicable, will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the First Six-Month Period (the "**Second Six-Month Period**"), the Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the H Shares or other securities of the Company.

(B) Undertaking by the Warranting Shareholders

Each of the Warranting Shareholders jointly and severally agrees and undertakes to the Company, the Joint Sponsors and the Sponsor-OCs, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) during the First Six-Month Period, it or he will not, and will procure that the relevant registered holder(s) will not

(i) offer, pledge, charge, sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase or subscribe for, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, as applicable, or deposit any share capital or other securities of the Company, as applicable, with a depository in connection with the issue of depository receipts) beneficially owned by it/him as at the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose that it or he will or may enter into any transaction described in paragraph (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraph (i), (ii) or (iii) above is to be settled by delivery of such H Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, it or he will not enter into any transaction described in paragraph (i), (ii) or (iii) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction, if, immediately following such transaction, it or he will cease, whether individually or collectively with the other Controlling Shareholders, to be a controlling shareholder of the Company;

(c) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it or he will:

(i) if and when it or he or the relevant registered holder(s) pledges or charges any H Shares or other securities of the Company beneficially owned by him, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of H Shares or other securities (or interests therein) of the Company so pledged or charged; and

(ii) if and when it or he or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged H Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Joint Sponsors, and the Overall Coordinators in writing of such indications.

The Company undertakes to the Joint Sponsors and the Sponsor-OCs, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that upon receiving such information in writing from any of the Warranting Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Hong Kong Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for their respective obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, among others, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering — The International Offering."

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 10,320,400 H Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering — Over-allotment Option."

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate offer price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate offer price of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming full payment of discretionary incentive fees, the fixed fees and discretionary fees payable to the Underwriters represent approximately 71.1% and 28.9%, respectively, of the aggregated fees payable to the Underwriters in connection with the Global Offering.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (based on the Offer Price of HK$5.98 per Offer Share, and assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$18.9 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$69.7 million (based on the Offer Price of HK$5.98 per Offer Share, and assuming the full payment of the discretionary incentive fee and assuming the Over-allotment Option is exercised in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of members of the Group and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus.

68,802,800 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 6,880,800 Offer Shares (subject to reallocation) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

- the International Offering of initially 61,922,000 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the subsection headed "— The International Offering" below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 2.5% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 2.9% of the enlarged issued share capital the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 6,880,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.3% of the enlarged issued share capital the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools: pool A and pool B, with any odd board lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 3,440,400 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 20,640,800 Offer Shares (in the case of (a)), 27,521,200 Offer Shares (in the case of (b)) and 34,401,600 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

The Overall Coordinators may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 6,880,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 13,761,600 Offer Shares, representing two times of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,416.12 for one board lot of 400 Offer Shares. Further details are set out in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 61,922,000 Offer Shares offered by the Company (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.3% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIB s in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Overall Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 10,320,400 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.38% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, November 25, 2023, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, using H Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

The Offer Price will be HK$5.98 per Offer Share unless otherwise announced, as further explained below.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the prior consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at **www.zzgqsh.com** and **www.hkexnews.hk**, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price will be final and conclusive. Failure to confirm within the prescribed time will lead to the application being lapsed and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Thursday, October 26, 2023.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued (including any H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the execution and delivery of the International Underwriting Agreement on or around Thursday, October 26, 2023; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at **www.zzgqsh.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — F. Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, November 2, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 2, 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 2, 2023.

The H Shares will be traded in board lots of 400 H Shares each and the stock code of the H Shares will be 2517.

NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or application forms for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and the Company's website at **www.zzgqsh.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above. If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company in accordance with the Listing Rules.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

To apply for Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not legal or natural person of the PRC (except qualified domestic institutional investors).

If an application is made by a person under a power of attorney, the Company and the Overall Coordinators, as the Company's agents, may accept it at the Company's or their discretion, and on any conditions the Company or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of the Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a Director, Supervisor or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Listing Rules) of any of the above persons;

- you are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinators (or their agents or nominees), as the Company's agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and PRC Company Law;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- agree to disclose to the Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which the Company or any of them may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

- represent, warrant and undertake that you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

- authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) the Company and/or the Company's agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that the Company, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
400	2,416.12	10,000	60,403.08	90,000	543,627.75	800,000	4,832,246.65
800	4,832.25	12,000	72,483.70	100,000	604,030.84	900,000	5,436,277.46
1,200	7,248.37	14,000	84,564.32	120,000	724,837.00	1,000,000	6,040,308.30
1,600	9,664.49	16,000	96,644.93	140,000	845,643.16	1,200,000	7,248,369.95
2,000	12,080.62	18,000	108,725.55	160,000	966,449.33	1,400,000	8,456,431.62
2,400	14,496.74	20,000	120,806.17	180,000	1,087,255.49	1,600,000	9,664,493.28
2,800	16,912.87	30,000	181,209.25	200,000	1,208,061.65	1,800,000	10,872,554.95
3,200	19,328.99	40,000	241,612.33	300,000	1,812,092.49	2,000,000	12,080,616.60
3,600	21,745.11	50,000	302,015.41	400,000	2,416,123.32	2,400,000	14,496,739.92
4,000	24,161.24	60,000	362,418.50	500,000	3,020,154.16	2,800,000	16,912,863.25
6,000	36,241.85	70,000	422,821.58	600,000	3,624,184.98	3,440,400(1)	20,781,076.68
8,000	48,322.46	80,000	483,224.67	700,000	4,228,215.81		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in "— Who Can Apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, October 20, 2023 until 11:30 a.m. on Thursday, October 26, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, October 26, 2023, the last day for applications, or such later time as described in "— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An

Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators and the H Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through CCASS EIPO service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

- HKSCC Nominees will do the following things on your behalf:

  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

  - confirm that you understand that the Company, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the H Share Registrar, the receiving banks and the Relevant Persons any personal data which the Company or they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreeing that the Company will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and PRC Company Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[3]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, October 20, 2023	—	9:00 a.m. to 8:30 p.m.
Tuesday, October 24, 2023	—	8:00 a.m. to 8:30 p.m.
Wednesday, October 25, 2023	—	8:00 a.m. to 8:30 p.m.
Thursday, October 26, 2023	—	8:00 a.m. to 12:00 noon.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, October 20, 2023 until 12:00 noon on Thursday, October 26, 2023 (24 hours daily, except on Thursday, October 26, 2023, the last day for applications).

3 *Note:* The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, October 26, 2023, the last day for applications, or such later time as described in "— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or the Company's agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Register of Members;
- verifying identities of the holders of the H Shares;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the H Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Directors, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, October 26, 2023, the last day for applications, or such later time as described in "— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then

the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Offer Price is HK$5.98 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%. This means that for one board lot of 400 Hong Kong Offer Shares, you will pay HK$2,416.12.

You must pay the Offer Price, together with brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 400 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 400 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section "— A. Applications for Hong Kong Offer Shares — 4. Minimum Application Amount and Permitted Numbers".

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation."

C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 26, 2023. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, October 26, 2023 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made on the Company's website at **www.zzgqsh.com** and the website of Stock Exchange at **www.hkexnews.hk**.

D. PUBLICATION OF RESULTS

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, November 1, 2023 on its website at **www.zzgqsh.com** and the website of Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company's website and the website of Stock Exchange at **www.zzgqsh.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, November 1, 2023;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24 hour basis from 8:00 a.m. on Wednesday, November 1, 2023 to 12:00 midnight on Tuesday, November 7, 2023; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 1, 2023 to Monday, November 6, 2023 on a business day (excluding Saturday, Sunday and public holidays).

If the Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If the Company or its agents exercise discretion to reject your application:

The Company, the Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 3,440,400 Hong Kong Offer Shares, being 50% of the 6,880,800 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Overall Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Global Offering as set out in "Structure of the Global Offering — Conditions of the Global Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, November 1, 2023.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Wednesday, November 1, 2023. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, November 2, 2023, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

- ***If you apply through White Form eIPO service:***

  - If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 1, 2023, or any other place or date notified by the Company.

  - If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

  - If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, November 1, 2023 by ordinary post and at your own risk.

  - If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

- ***If you apply through CCASS EIPO service:***

  Allocation of Hong Kong Offer Shares

  - For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

  Deposit of Share Certificates into CCASS and Refund of Application Monies

  - If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 1, 2023 or on any other date determined by HKSCC or HKSCC Nominees.

  - The Company expects to publish the application results of CCASS Participants (and where the CASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "— Publication of Results" above on Wednesday, November 1, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 1, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

  - If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

  - If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 1, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

  - Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 1, 2023.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

EY 安永

Ernst & Young
6/F, Oxford House
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊濠豐大廈 6樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUOQUAN FOOD (SHANGHAI) CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Guoquan Food (Shanghai) Co., Ltd. (formerly known as Guoquan Supply Chain (Shanghai) Co., Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-94, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and 30 April 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-94 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 October 2023 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022 and 30 April 2023 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2022 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants

Hong Kong
20 October 2023

I. HISTORICAL FINANCIAL INFORMATION

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	5	2,964,743	3,957,804	7,173,457	2,159,626	2,078,234
Cost of sales	7	(2,635,484)	(3,602,520)	(5,924,496)	(1,862,168)	(1,638,968)
Gross profit		329,259	355,284	1,248,961	297,458	439,266
Other income and gains, net	6	11,274	38,725	121,460	16,849	62,096
Selling and distribution expenses		(220,134)	(629,440)	(624,577)	(219,421)	(184,708)
Administrative expenses		(161,441)	(355,676)	(403,686)	(124,744)	(142,782)
Other expenses		(147)	(2,101)	(2,968)	(2,439)	(1,808)
Finance costs	8	(1,994)	(2,834)	(2,564)	(667)	(2,062)
Impairment loss on financial assets	23	—	(426)	(4,584)	(1,932)	(6,462)
(LOSS)/PROFIT BEFORE TAX	7	(43,183)	(596,468)	332,042	(34,896)	163,540
Income tax (expense)/credit	11	(109)	135,607	(91,060)	9,875	(43,946)
(LOSS)/PROFIT FOR THE YEAR/PERIOD		(43,292)	(460,861)	240,982	(25,021)	119,594
(Loss)/profit attributable to:						
Owners of the parent		(43,292)	(461,990)	229,907	(30,956)	110,397
Non-controlling interests		—	1,129	11,075	5,935	9,197
		(43,292)	(460,861)	240,982	(25,021)	119,594
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic						
– For (loss)/profit for the year/period (RMB cents)	13	(6.85)	(28.97)	8.88	(1.20)	4.13
Diluted						
– For (loss)/profit for the year/period (RMB cents)	13	(6.85)	(28.97)	8.76	(1.20)	4.13

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR/PERIOD	(43,292)	(460,861)	240,982	(25,021)	119,594
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	—	—	45	—	(23)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	—	—	45	—	(23)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	—	2,000	11,838	(7,381)	(5,744)
Income tax effect	—	(500)	(2,959)	1,845	1,436
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	—	1,500	8,879	(5,536)	(4,308)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	—	1,500	8,924	(5,536)	(4,331)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD	(43,292)	(459,361)	249,906	(30,557)	115,263
Total comprehensive (loss)/income attributable to:					
Owners of the parent	(43,292)	(460,490)	238,831	(36,492)	106,066
Non-controlling interests	—	1,129	11,075	5,935	9,197
	(43,292)	(459,361)	249,906	(30,557)	115,263

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 April
		2020	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	21,656	76,979	357,826	380,447
Right-of-use assets	15(a)	33,607	80,415	152,330	149,700
Goodwill	16	—	—	138,010	138,010
Other intangible assets	17	3,847	6,063	61,064	60,396
Investment in an associate	18	—	—	2,000	2,000
Equity investments designated at fair value through other comprehensive income	19	6,250	95,750	98,838	93,094
Other non-current assets	20	5,467	18,115	30,957	26,567
Financial assets at fair value through profit or loss	25	—	129,708	187,875	207,101
Long-term bank deposits	26	—	181,223	526,208	500,698
Deferred tax assets	21	35,846	174,303	116,534	78,792
Total non-current assets		106,673	762,556	1,671,642	1,636,805
CURRENT ASSETS					
Inventories	22	646,588	601,616	1,047,404	550,628
Trade receivables	23	—	14,890	134,325	130,228
Prepayments, other receivables and other assets	24	294,062	479,305	440,114	511,896
Restricted cash	26	27,123	33,474	42,164	45,639
Financial assets at fair value through profit or loss	25	—	200,334	50,067	210,257
Cash and bank balances	26	100,821	627,573	694,954	623,148
Total current assets		1,068,594	1,957,192	2,409,028	2,071,796

	Notes	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 April 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade payables	28	97,405	180,993	577,481	195,686
Other payables and accruals	29	275,011	380,930	589,519	476,119
Interest-bearing bank and other borrowings	27	88,244	—	95,438	95,503
Lease liabilities	15(b)	14,079	20,355	19,938	22,919
Tax payables		13,277	1,080	20,641	13,911
Total current liabilities		488,016	583,358	1,303,017	804,138
NET CURRENT ASSETS		580,578	1,373,834	1,106,011	1,267,658
TOTAL ASSETS LESS CURRENT LIABILITIES		687,251	2,136,390	2,777,653	2,904,463
NON-CURRENT LIABILITIES					
Deferred income	30	—	—	7,335	7,132
Interest-bearing bank and other borrowings	27	—	—	191	10,173
Lease liabilities	15(b)	16,872	20,452	19,215	17,646
Deferred tax liabilities	21	—	1,212	61,361	64,511
Total non-current liabilities		16,872	21,664	88,102	99,462
NET ASSETS		670,379	2,114,726	2,689,551	2,805,001
EQUITY					
Paid-in capital/share capital	31	6,869	20,601	20,993	2,670,000
Reserves	33(a)	663,510	2,068,621	2,573,455	30,514
		670,379	2,089,222	2,594,448	2,700,514
Non-controlling interests		—	25,504	95,103	104,487
Total equity		670,379	2,114,726	2,689,551	2,805,001

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent				
	Paid-in capital	**Capital reserve***	**Statutory reserve***	**Accumulated losses***	**Total equity**
	(note 31) *RMB'000*	*(note 33)* *RMB'000*	*(note 33)* *RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	2,078	118,053	2,322	(73,367)	49,086
Loss and total comprehensive loss for the year	—	—	—	(43,292)	(43,292)
Capitalisation of other borrowings *(note 31)*	325	29,675	—	—	30,000
Capital injection from inverstors *(note 31)*	4,466	613,704	—	—	618,170
Equity-settled Award Interests arrangement *(note 32)*	—	16,415	—	—	16,415
As at 31 December 2020	6,869	777,847	2,322	(116,659)	670,379

Year ended 31 December 2021

	Attributable to owners of the parent							
	Paid-in capital	**Capital reserve***	**Statutory reserve***	**Fair value reserve of financial assets at fair value through other comprehensive income***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	(note 31) *RMB'000*	*(note 33)* *RMB'000*	*(note 33)* *RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	6,869	777,847	2,322	—	(116,659)	670,379	—	670,379
(Loss)/profit for the year	—	—	—	—	(461,990)	(461,990)	1,129	(460,861)
Other comprehensive income for the year:								
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	1,500	—	1,500	—	1,500
Total comprehensive (loss)/income for the year	—	—	—	1,500	(461,990)	(460,490)	1,129	(459,361)
Capital injection from investors *(note 31)*	13,732	1,855,339	—	—	—	1,869,071	—	1,869,071
Capital injection from non-controlling equity holders	—	—	—	—	—	—	24,350	24,350
Equity-settled Award Interests arrangement *(note 32)*	—	10,262	—	—	—	10,262	—	10,262
Acquisition of a subsidiary *(note 34)*	—	—	—	—	—	—	25	25
As at 31 December 2021	20,601	2,643,448	2,322	1,500	(578,649)	2,089,222	25,504	2,114,726

Year ended 31 December 2022

	Attributable to owners of the parent								
	Paid-in capital	Capital reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	(note 31) *RMB'000*	*(note 33)* *RMB'000*	*(note 33)* *RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	20,601	2,643,448	2,322	1,500	—	(578,649)	2,089,222	25,504	2,114,726
Profit for the year	—	—	—	—	—	229,907	229,907	11,075	240,982
Other comprehensive income for the year:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	8,879	—	—	8,879	—	8,879
Exchange differences on translation of foreign operations	—	—	—	—	45	—	45	—	45
Total comprehensive income for the year	—	—	—	8,879	45	229,907	238,831	11,075	249,906
Transfer of fair value reserve upon obtaining control through business combination	—	—	—	(1,875)	—	1,875	—	—	—
Acquisition of a subsidiary *(notes 31 and 34)*	392	261,399	—	—	—	—	261,791	38,924	300,715
Equity-settled Award Interests arrangement *(note 32)*	—	4,604	—	—	—	—	4,604	—	4,604
Capital injection from non-controlling equity holders	—	—	—	—	—	—	—	19,600	19,600
As at 31 December 2022	20,993	2,909,451	2,322	8,504	45	(346,867)	2,594,448	95,103	2,689,551

Four months ended 30 April 2022

	Attributable to owners of the parent								
	Paid-in capital	Capital reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	(note 31) *RMB'000* *(unaudited)*	*(note 33)* *RMB'000* *(unaudited)*	*(note 33)* *RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
As at 1 January 2022	20,601	2,643,448	2,322	1,500	—	(578,649)	2,089,222	25,504	2,114,726
(Loss)/profit for the period	—	—	—	—	—	(30,956)	(30,956)	5,935	(25,021)
Other comprehensive loss for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(5,536)	—	—	(5,536)	—	(5,536)
Total comprehensive (loss)/income for the period	—	—	—	(5,536)		(30,956)	(36,492)	5,935	(30,557)
Equity-settled Award Interests arrangement *(note 32)*	—	1,535	—	—	—	—	1,535	—	1,535
As at 30 April 2022	20,601	2,644,983	2,322	(4,036)	—	(609,605)	2,054,265	31,439	2,085,704

Four months ended 30 April 2023

	Attributable to owners of the parent								
	Paid-in capital/Share capital	Capital reserve*	Statutory reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	(note 31) *RMB'000*	*(note 33)* *RMB'000*	*(note 33)* *RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	20,993	2,909,451	2,322	8,504	45	(346,867)	2,594,448	95,103	2,689,551
Profit for the period	—	—	—	—	—	110,397	110,397	9,197	119,594
Other comprehensive loss for the period:									
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	(4,308)	—	—	(4,308)	—	(4,308)
Exchange differences on translation of foreign operations	—	—	—	—	(23)	—	(23)	—	(23)
Total comprehensive (loss)/income for the period	—	—	—	(4,308)	(23)	110,397	106,066	9,197	115,263
Conversion into a joint stock company	2,649,007	(2,808,272)	—	—	—	159,265	—	—	—
Capital injection from a non-controlling shareholder	—	—	—	—	—	—	—	2,500	2,500
Dividends paid to non-controlling equity holder	—	—	—	—	—	—	—	(2,313)	(2,313)
As at 30 April 2023	2,670,000	101,179	2,322	4,196	22	(77,205)	2,700,514	104,487	2,805,001

* These reserve accounts comprise the consolidated reserves of RMB663,510,000, RMB2,068,621,000, RMB2,573,455,000 and RMB30,514,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2022	Four months ended 30 April 2022	Four months ended 30 April 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax:		(43,183)	(596,468)	332,042	(34,896)	163,540
Adjustments for:						
Depreciation of property, plant and equipment	14	4,445	9,885	24,346	5,313	12,452
Depreciation of right-of-use assets	15(a)	8,135	21,714	31,199	10,309	11,266
Amortisation of other intangible assets	17	1,253	2,960	3,788	1,065	3,007
Interest income	6	(2,235)	(16,583)	(23,024)	(6,595)	(8,551)
(Gain)/loss on disposal of items of property, plant and equipment	6	(50)	(125)	697	1	(340)
(Gain)/loss on early termination of leases	6	—	(26)	144	—	23
Realised fair value gains from financial assets at fair value through profit or loss	6	(2,192)	(8,596)	(4,655)	(2,646)	(794)
Unrealised fair value gains on financial assets at fair value through profit or loss	6	—	(334)	(57,900)	(5,289)	(19,416)
Finance costs	8	1,994	2,834	2,564	667	2,062
Impairment of inventories	7	—	—	3,898	880	2,323
Impairment loss on financial assets	23	—	426	4,584	1,932	6,462
Deferred income recognised in profit or loss	30	—	—	(336)	—	(203)
Gain on bargain purchase of a subsidiary	34	—	(25)	—	—	—
Equity-settled share-based payment expenses	32	16,415	10,262	4,604	1,535	—
Foreign exchange differences, net	6	2,790	(1,843)	77	—	—
		(12,628)	(575,919)	322,028	(27,724)	171,831
(Increase)/decrease in inventories		(480,374)	47,741	(411,389)	11,842	494,453
Decrease/(increase) in trade receivables		2,398	(14,692)	(113,898)	(57,579)	(2,365)
(Increase)/decrease in prepayments, other receivables and other assets		(188,516)	(159,026)	50,909	69,098	(70,116)
(Increase)/decrease in restricted cash		(13,771)	(6,351)	(8,690)	554	(3,475)
Increase/(decrease) in trade payables		39,453	74,575	320,172	59,332	(381,795)
Increase/(decrease) in other payables and accruals		124,314	40,942	121,791	(11,269)	(98,317)
Cash (used in)/generated from operations		(529,124)	(592,730)	280,923	44,254	110,216
Income tax paid		(14,613)	(14,066)	(709)	(637)	(8,348)
Interest received		2,235	8,769	5,069	1,733	2,371
Net cash flows (used in)/generated from operating activities		(541,502)	(598,027)	285,283	45,350	104,239

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of items of property, plant and equipment		476	1,098	1,194	1,086	1,869
Purchase of items of property, plant and equipment		(25,849)	(63,864)	(116,317)	(19,193)	(48,758)
Purchase of other intangible assets		(2,609)	(11,382)	(1,660)	(537)	(875)
Purchase of financial assets at fair value through profit or loss		(891,000)	(839,708)	(805,100)	(515,100)	(340,000)
Proceeds from disposal of financial assets at fair value through profit or loss		893,192	518,596	959,755	511,746	180,794
Receipt of government grants for property, plant and equipment		—	—	7,671	—	—
Increase in bank deposits with original maturity of more than three months when acquired		—	(710,000)	(330,000)	(330,000)	(50,000)
Withdrawal of bank deposits with original maturity of more than three months when acquired		—	320,000	210,000	20,000	—
Interest received from bank deposits with original maturity of more than three months when acquired		—	6,193	3,368	2,572	—
Purchase of equity investments designated at fair value through other comprehensive income		(6,250)	(87,500)	—	—	—
Acquisition of subsidiaries, net of cash	34	—	2,124	32,690	—	—
Capital injection in an associate		—	—	(2,000)	—	—
Net cash flows used in investing activities		(32,040)	(864,443)	(40,399)	(329,426)	(256,970)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from interest-bearing bank and other borrowings		107,770	20,000	40,451	—	100,000
Repayment of interest-bearing bank and other borrowings		(136,897)	(107,857)	(17)	—	(90,016)
Interest paid for interest-bearing bank and other borrowings		(1,120)	(1,549)	(467)	—	(1,371)
Repayment of lease liabilities	15(b)	(11,084)	(26,868)	(27,038)	(8,440)	(7,875)
Dividends paid to non-controlling equity holders		—	—	—	—	(2,313)
Capital injection from investors		618,170	1,869,071	—	—	—
Capital injection from non-controlling equity holders		—	24,350	19,600	—	2,500
Net cash flows generated from/(used in) financing activities		576,839	1,777,147	32,529	(8,440)	925

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,297	314,677	277,413	(292,516)	(151,806)
Cash and cash equivalents at beginning of year/period		100,346	100,821	417,573	417,573	694,954
Effect of foreign exchange differences, net		(2,822)	2,075	(32)	—	—
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		100,821	417,573	694,954	125,057	543,148
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	26	100,821	627,573	694,954	315,057	623,148
Long-term bank deposits	26	—	181,223	526,208	513,911	500,698
Long-term bank deposits and cash and bank balances as stated in the consolidated statements of financial position		100,821	808,796	1,221,162	828,968	1,123,846
Less: bank deposits with original maturity of more than three months		—	391,223	526,208	703,911	580,698
Cash and cash equivalents as stated in the consolidated statements of cash flows		100,821	417,573	694,954	125,057	543,148

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 April
	Notes	**2020**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	9,708	14,032	8,091	6,810
Right-of-use assets	15(a)	18,434	15,649	10,942	13,334
Other intangible assets	17	3,517	5,741	3,961	5,267
Other non-current assets	20	5,467	6,419	6,406	4,752
Investments in subsidiaries	1	29,100	462,829	738,620	739,120
Long-term bank deposits	26	—	181,223	526,208	500,698
Deferred tax assets	21	16,449	117,790	52,958	23,509
Total non-current assets		82,675	803,683	1,347,186	1,293,490
CURRENT ASSETS					
Inventories	22	646,289	546,629	856,670	311,887
Trade receivables	23	—	5,077	6,079	4,370
Prepayments, other receivables and other assets	24	282,860	376,653	202,539	323,073
Amounts due from subsidiaries	43	12,633	177,078	471,193	596,347
Financial assets at fair value through profit or loss	25	—	200,334	50,067	210,257
Cash and bank balances	26	82,241	548,507	565,133	478,384
Total current assets		1,024,023	1,854,278	2,151,681	1,924,318

	Notes	As at 31 December			As at 30 April
		2020	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade payables	28	97,361	157,810	452,641	109,353
Other payables and accruals	29	51,571	112,657	138,568	66,578
Amounts due to subsidiaries	43	69,893	44,250	113,380	157,441
Interest-bearing bank and other borrowings	27	87,969	—	—	—
Lease liabilities	15(b)	7,102	8,709	5,467	7,995
Tax payables		7,757	—	—	—
Total current liabilities		321,653	323,426	710,056	341,367
NET CURRENT ASSETS		702,370	1,530,852	1,441,625	1,582,951
TOTAL ASSETS LESS CURRENT LIABILITIES		785,045	2,334,535	2,788,811	2,876,441
NON-CURRENT LIABILITIES					
Lease liabilities	15(b)	10,388	5,825	4,422	5,152
Total non-current liabilities		10,388	5,825	4,422	5,152
NET ASSETS		774,657	2,328,710	2,784,389	2,871,289
EQUITY					
Paid-in capital/share capital	31	6,869	20,601	20,993	2,670,000
Reserves	33(b)	767,788	2,308,109	2,763,396	201,289
Total equity		774,657	2,328,710	2,784,389	2,871,289

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated and registered in the People's Republic of China (the "PRC") as a limited liability company on 11 July 2019. On 23 February 2023, the Company was converted into a joint stock company with limited liability with registered capital of RMB2,670,000,000. The address of the registered office is No. 3, Lane 187, Xinghong Road, Minhang District, Shanghai.

During the Relevant Periods, the Company and its subsidiaries (together as the "Group") were involved in the operation of a franchised retail network and trading of home meal and other food related products in Mainland China.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of principal subsidiaries are set out below:

Name*	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Guoquan Shihui Commercial Management Co., Ltd. (上海鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 24 June 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Shenzhen Guoquan Shihui Commercial Management Co., Ltd. (深圳鍋圈食匯商業管理有限公司) *(ii)*	PRC/Mainland China 12 June 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Chengdu Guoquan Shihui Commercial Management Co., Ltd. (成都鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 9 May 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Nanjing Guoquan Shihui Commercial Management Co., Ltd. (南京鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 14 August 2019	RMB1,000,000	100%	—	Provision of supply chain management service
Shaanxi Guoquan Shihui Commercial Management Co., Ltd. (陝西鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 26 August 2019	RMB10,000,000	100%	—	Provision of supply chain management service
Shanxi Guoquan Shihui Commercial Management Co., Ltd. (山西鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 16 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司) *(i)*	PRC/Mainland China 5 January 2015	RMB10,000,000	100%	—	Provision of supply chain management service
Changsha Guoquan Shihui Commercial Management Co., Ltd. (長沙鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 3 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Hebei Guoquan Shihui Commercial Management Co., Ltd. (河北鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 23 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service

Name*	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jinan Guoquan Shihui Commercial Management Co., Ltd. (濟南鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 8 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Nanchang Guoquan Shihui Commercial Management Co., Ltd. (南昌鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 15 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Hangzhou Guoquan Shihui Commercial Management Co., Ltd. (杭州鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 27 September 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Shenyang Guoquan Shihui Commercial Management Co., Ltd. (瀋陽鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 8 May 2020	RMB10,000,000	100%	—	Provision of supply chain management service
Beijing Guoquan Shihui Commercial Management Co., Ltd. (北京鍋圈食匯商業管理有限公司) *(i)*	PRC/Mainland China 22 August 2019	RMB10,000,000	100%	—	Provision of supply chain management service
Zhengzhou Guoquan Shihui Internet Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司) *(i)*	PRC/Mainland China 15 February 2017	RMB1,000,000	100%	—	Development of information technology
Guoquan Investment Management (Shanghai) Co., Ltd. (鍋圈投資管理(上海)有限公司) *(i)*	PRC/Mainland China 10 September 2020	RMB200,000,000	100%	—	Investment holding
Shanghai Guoquan Shihui Trading Co., Ltd. (上海鍋圈食匯商貿有限公司) *(i)*	PRC/Mainland China 27 August 2020	RMB2,000,000	100%	—	Sale of food products
Guoquan (Shanghai) Import and Export Trade Co., Ltd. (鍋圈(上海)進出口貿易有限公司) *(i)*	PRC/Mainland China 29 May 2020	RMB50,000,000	100%	—	Sale of food products
Henan Guoxiaoquan Electronic Commerce Co., Ltd. (河南鍋小圈電子商務有限公司) *(v)*	PRC/Mainland China 17 May 2019	RMB20,000,000	100%	—	Development of information technology
Guoquan Corporate Consulting (Shanghai) Co., Ltd. (鍋圈企業諮詢(上海)有限公司) *(ii)*	PRC/Mainland China 16 June 2021	RMB140,000,000	100%	—	Provision of enterprise management service
Anhui Guoquan Shihui Commercial Management Co., Ltd. (安徽鍋圈食匯商業管理有限公司) *(ii)*	PRC/Mainland China 24 March 2021	RMB10,000,000	100%	—	Provision of supply chain management service

Name*	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wuhan Guoquan Shihui Commercial Management Co., Ltd. (武漢鍋圈食匯商業管理有限公司) *(ii)*	PRC/Mainland China 9 April 2021	RMB10,000,000	100%	—	Provision of supply chain management service
Luyi Heyi Meat Industry Co., Ltd. (鹿邑縣和一肉業有限公司) *(iv)*	PRC/Mainland China 13 May 2020	RMB50,000,000	—	51%	Processing and sale of meat products
Luyi Wanlai Wanqu Food Co., Ltd. (鹿邑縣丸來丸去食品有限公司) *(iii)*	PRC/Mainland China 7 February 2021	RMB50,000,000	—	51%	Processing and sale of meat products
Guoquan Enterprise Management (Shanghai) Co., Ltd. (鍋圈企業管理(上海)有限公司) (formerly known as Guoquan Investment (Hainan) Co., Ltd. (鍋圈投資(海南)有限公司)) *(viii)*	PRC/Mainland China 6 April 2022	RMB2,000,000	—	100%	Investment holding
Guoquan Shihui Commercial Management (Hongkong) Co., Ltd. (鍋圈食匯商業管理(香港)有限公司) *(vi)*	Hong Kong 2 September 2022	HKD100,000	100%	—	Provision of supply chain management service
Luyi Chengming Food Co., Ltd. ("Luyi Chengming", 鹿邑縣澄明食品有限公司) *(vii)*	PRC/Mainland China 29 Oct 2019	RMB55,555,556	74.79%	2.5%	Processing and sale of sauce and condiment products
Sichuan Chengming Food Co., Ltd. (四川澄明食品有限公司) *(vii)*	PRC/Mainland China 14 June 2018	RMB1,000,000	—	77.29%	Sale of sauce and condiment products
Sichuan Dajiangchuchuan Food Co., Ltd. (四川大醬出川食品有限公司) *(vii)*	PRC/Mainland China 16 Mar 2021	RMB1,000,000	—	77.29%	Sale of sauce and condiment products
Luyi Chengming Commercial Management Co., Ltd. (鹿邑縣澄明商業管理有限公司) *(vii)*	PRC/Mainland China 14 Oct 2020	RMB1,000,000	—	77.29%	Provision of supply chain management service

* The English names of the PRC companies above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group.

Notes:

(i) The statutory financial statements of these companies for the years ended 31 December 2020, 2021 and 2022 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Grand Thornton China, LLP (致同會計師事務所(特殊普通合夥)).

(ii) The statutory financial statements of these companies for the year ended 31 December 2021 and 2022 prepared in accordance with the PRC GAAP were audited by Grand Thornton China, LLP (致同會計師事務所(特殊普通合夥)).

(iii) The entity was acquired by the Group in 2021. The statutory financial statements of the entity for the year ended 31 December 2021 and 2022 prepared in accordance with PRC GAAP were audited by Henan Hengxin, LLP (河南恒新會計師事務所(特殊普通合夥)).

(iv) The entity was acquired by the Group in 2021. The statutory financial statement of the entity prepared in accordance with PRC GAAP were audited by Shine Wing, LLP (信永中和會計師事務所(特殊普通合夥)) for the year ended 31 December 2021 and Henan Hengxin, LLP (河南恒新會計師事務所(特殊普通合夥)) for the year ended 31 December 2022.

(v) The entity was acquired by the Group in 2021. The statutory financial statements of the entity for the year ended 31 December 2021 and 2022 prepared in accordance with PRC GAAP were audited by Grand Thornton China, LLP (致同會計師事務所(特殊普通合夥)).

(vi) No audited statutory financial statements have been prepared for the subsidiary as there is no statutory requirement to issue statutory financial statements at its place of incorporation.

(vii) These entities were acquired by the Group in 2022. The statutory financial statements of these entities for the year ended 31 December 2022 prepared in accordance with PRC GAAP were audited by Henan Yuheng, LLP (河南豫衡會計師事務所(特殊普通合夥)).

(viii) The statutory financial statement of the entity for the year ended 31 December 2022 prepared in accordance with PRC GAAP were audited by Grand Thornton China, LLP (致同會計師事務所(特殊普通合夥)).

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the Relevant Periods and the four months ended 30 April 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 3]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendment to IAS 12	*International Tax Reform – Pillar Two Model Rules*[5]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[4]

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

4 An entity applies the amendments to IAS 7 for annual reporting periods beginning on or after 1 January 2024 and the amendments to IFRS 7 when it applies the amendments to IAS 7.

5 Effective either immediately or for annual periods beginning on or after 1 January 2023 but it is not applicable for any interim periods before 31 December 2023.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

2.3 MATERIAL ACCOUNTING POLICIES INFORMATION

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its certain of financial assets and equity investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rate
Buildings	4.8%-5.0%
Leasehold improvements	19.0%-31.7%
Machinery equipment	9.5%
Motor vehicles	19.0%
Office equipment	19.0%-31.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Trademarks and patent rights

Trademarks and patent rights acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Trademarks and patent rights with finite useful lives are stated at their cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives of 10 to 20 years. The Group determines their useful lives with reference to the patent protection periods and the estimated periods that the Group intends to derive future economic benefits from the use of the assets.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises and plant	2-5 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Financial investments

Investment in convertible redeemable preferred shares and wealth management products are classified as financial assets at fair value through profit or loss ("FVTPL Assets"). FVTPL Assets are measured and recorded at fair value and any unrealised gains or losses are recognised in the consolidated statements of profit and loss. Realised gains and losses from the sale or withdrawal of FVTPL Assets are determined on a specific-identification basis.

Upon initial recognition, the Group elected to classify irrevocably certain of its equity investments as equity investments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statements of profit or loss. Dividends are recognised as other income in the consolidated statements of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group initially measures receivables, except for trade receivables that do not contain a significant financing component, at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Receivables are stated at amortised cost, using the effective interest method less allowance for credit losses.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets measured at amortised cost (including cash and bank balances, restricted cash and trade and other receivables, long-term bank deposits). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of home meal and other food related products

Revenue from the sale of home meal and other food related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Where consideration payable to customers exists in a contract, it is set off against transaction price and is applied against revenue for the current period at the later of the point at which the relevant revenue is recognised and the point of payment of (or commitment to pay) consideration to customers, unless the consideration payable is for obtaining other distinct goods or services from the customers.

(b) Provision of operational support services

Revenue from the provision of operational support services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The Company operates an award interests arrangement ("Award Interests Arrangement") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Foreign currencies

These Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 21 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrated the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at 31 December 2020, 2021 and 2022 and 30 April 2023. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, right-of-use assets, other intangible assets, investments in an associate and other non-current assets are set out in notes 14, 15, 17, 18 and 20 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 and 30 April 2023 was RMB138,010,000. Further details are given in note 16 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2020, 2021 and 2022 and 30 April 2023 were RMB14,214,000, RMB145,147,000, RMB75,321,000 and RMB37,124,000, respectively. The amounts of unrecognised tax losses as at 31 December 2020, 2021 and 2022 and 30 April 2023 were RMB35,604,000, RMB54,429,000, RMB83,973,000 and RMB95,825,000, respectively. Further details are contained in note 21 to the Historical Financial Information.

Fair value measurement of unlisted equity investments

The unlisted equity investments and unlisted convertible redeemable preferred shares have been valued based on a market-based valuation technique as detailed in note 41 to the Historical Financial Information. The valuation requires the Group to determine price-to-sales ratio for similar instruments, adjusted by discount for lack of marketability, volatility and risk-free interest rate. The Group classifies the fair value of these unlisted equity investments and unlisted convertible redeemable preferred shares as Level 3 instruments. The fair values of the unlisted equity investments recorded in equity investments designated at fair value through OCI at 31 December 2020, 2021 and 2022 and 30 April 2023 were RMB6,250,000, RMB95,750,000, RMB98,838,000 and RMB93,094,000, respectively. The fair values of the unlisted convertible redeemable preferred shares recorded in financial assets at fair value through profit or loss at 31 December 2020, 2021 and 2022 and 30 April 2023 were nil, RMB129,708,000, RMB187,875,000 and RMB207,101,000, respectively. Further details are included in note 19 and note 25 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no reportable segment information is presented.

Geographical information

Since all of the Group's revenue are derived from customers based in Mainland China during the Relevant Periods and all the Group's non-current assets are located in Mainland China, no further geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

No sales to a single customer accounted for 10% or more of the Group's revenue during the Relevant Periods.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers					
Sale of home meal and other food related products	2,917,938	3,880,204	7,058,774	2,127,177	2,030,027
Operational support services	46,805	77,600	114,683	32,449	48,207
Total revenue from contracts with customers	2,964,743	3,957,804	7,173,457	2,159,626	2,078,234
Timing of revenue recognition					
Goods transferred at a point in time	2,917,938	3,880,204	7,058,774	2,127,177	2,030,027
Services transferred over time	46,805	77,600	114,683	32,449	48,207
Total revenue from contracts with customers	2,964,743	3,957,804	7,173,457	2,159,626	2,078,234

The following table set forth the amounts of revenue recognised in the Relevant Periods and the four months ended 30 April 2022 that were included in the contract liabilities at the beginning of each of the Relevant Periods and the four months ended 30 April 2022:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the period:					
Sale of home meal and other food related products	24,978	23,422	20,920	20,920	22,190
Operational support services	11,059	31,241	40,478	24,622	41,314
	36,037	54,663	61,398	45,542	63,504

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of home meal and other food related products

The performance obligation is satisfied upon delivery of the home meal and other food related products and payment in advance is normally required, except for customers with credit terms, where payment is generally due within 30 days to 180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration.

Operational support services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The franchisees are required to pay the Group a fixed sum of yearly operational support service fee for each franchised store at the beginning of each franchise period.

The Group has no revenue contract that has an original expected duration more than one year. Thus, management applied practical expedient under IFRS15 and does not disclose the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of each of the Relevant Periods.

6. OTHER INCOME AND GAINS, NET

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income					
Government grants related to					
— income *(i)*	2,580	8,557	28,187	882	31,986
— assets *(ii)*	—	—	336	—	203
Interest income	2,235	16,583	23,024	6,595	8,551
Others	7,007	2,636	8,276	1,438	829
	11,822	27,776	59,823	8,915	41,569
Gains, net					
Foreign exchange differences, net	(2,790)	1,843	(77)	—	—
Realised fair value gains from financial assets at fair value through profit or loss	2,192	8,596	4,655	2,646	794
Unrealised fair value changes on financial assets at fair value through profit or loss					
— Wealth management products	—	334	(267)	314	190
— Unlisted convertible redeemable preferred shares	—	—	58,167	4,975	19,226
Gain on bargain purchase of a subsidiary	—	25	—	—	—
Gain/(loss) on early termination of leases	—	26	(144)	—	(23)
Gain/(loss) on disposal of items of property, plant and equipment, net	50	125	(697)	(1)	340
	(548)	10,949	61,637	7,934	20,527
	11,274	38,725	121,460	16,849	62,096

(i) The government grants related to income have been received to reward for the Group's contribution to the local economic growth. These grants related to income are recognised in the consolidated statements of profit or loss upon receipt of these rewards and the related conditions associated with the rewards, if any, are met. There are no unfulfilled conditions or other contingencies attaching to these grants.

(ii) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognised in the consolidated statements of profit or loss over the useful lives of relevant assets. Details of these grants related to assets are set out in note 30 to the Historical Financial Information.

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of inventories sold*		2,514,441	3,447,503	5,667,319	1,779,327	1,562,932
Depreciation of property, plant and equipment	14	4,445	9,885	24,346	5,313	12,452
Depreciation of right-of-use assets	15(a)	8,135	21,714	31,199	10,309	11,266
Expenses relating to short-term leases	15(c)	6,082	7,663	8,412	3,250	2,228
Amortisation of other intangible assets**	17	1,253	2,960	3,788	1,065	3,007
Employee benefit expense (including directors', chief executive's and supervisors' remuneration as set out in note 9):						
Wages and salaries		127,416	325,304	375,813	139,509	121,189
Equity-settled share-based payment expenses	32	16,415	10,262	4,604	1,535	—
Pension scheme contributions, social welfare and other welfare***		10,072	72,855	72,805	27,246	19,066
Other employee benefits		3,274	24,431	31,370	8,866	9,494
Research and development cost****		235	3,487	9,981	1,381	2,482
Listing expenses		—	—	11,199	—	11,588
Impairment loss on financial assets	23	—	426	4,584	1,932	6,462
Impairment of inventories	22	—	—	3,898	880	2,323
Auditor's remuneration		87	236	283	47	—
Gain on bargain purchase of a subsidiary	34	—	(25)	—	—	—

	Notes	Year ended 31 December			Four months ended 30 April	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
(Gain)/loss on disposal of items of property, plant and equipment, net	6	(50)	(125)	697	1	(340)
Government grants	6	(2,580)	(8,557)	(28,523)	(882)	(32,189)
Foreign exchange differences, net	6	2,790	(1,843)	77	—	—
Interest income	6	(2,235)	(16,583)	(23,024)	(6,595)	(8,551)
Finance costs	8	1,994	2,834	2,564	667	2,062

* Cost of inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of other intangible assets is included in administrative expenses and selling and distribution expenses in the consolidated statements of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** Research and development cost include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest on bank and other borrowings	1,082	930	662	—	1,434
Interest on lease liabilities	912	1,904	1,902	667	628
	1,994	2,834	2,564	667	2,062

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for their services provided to the Group during the Relevant Periods and the four months ended 30 April 2022 are as follows:

		Year ended 31 December 2020					
	Notes	Fees	Salaries	Performance-related bonuses	Pension scheme contributions	Equity-settled share-based payment expenses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:							
Mr. Mingchao Yang	i	—	651	482	42	13,132	14,307
Mr. Haolei An	iii	—	830	511	42	3,283	4,666
Mr. Xianjin Meng	ii	—	610	479	42	—	1,131
Mr. Xinhua Li	ii & xi	—	610	479	42	—	1,131
Ms. Na Luo	iv	—	264	225	28	—	517
Non-executive directors:							
Mr. Bin Chang	iv & xi	—	—	—	—	—	—
Mr. Jiayu Yi	ii	—	—	—	—	—	—
Mr. Hongkai Li	ii	—	—	—	—	—	—
Mr. Haitao Zhang	iii & xi	—	—	—	—	—	—
Supervisor:							
Ms. Zheng Min	v	—	387	230	33	—	650
		—	3,352	2,406	229	16,415	22,402

		Year ended 31 December 2021					
	Notes	Fees	Salaries	Performance-related bonuses	Pension scheme contributions	Equity-settled share-based payment expenses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:							
Mr. Mingchao Yang	i	—	811	281	114	8,210	9,416
Mr. Haolei An	iii	—	1,177	318	114	2,052	3,661
Mr. Xianjin Meng	ii	—	761	276	114	—	1,151
Mr. Xinhua Li	ii&xi	—	761	276	114	—	1,151
Ms. Na Luo	iv	—	426	245	97	—	768
Ms. Jiewen Li	vi&xi	—	361	80	106	—	547
Non-executive directors:							
Mr. Bin Chang	iv&xi	—	—	—	—	—	—
Mr. Jiayu Yi	ii	—	—	—	—	—	—
Mr. Hongkai Li	ii	—	—	—	—	—	—
Mr. Haitao Zhang	iii&xi	—	—	—	—	—	—
Supervisor:							
Ms. Zheng Min	v	—	456	245	112	—	813
		—	4,753	1,721	771	10,262	17,507

	Notes	Fees	Salaries	Performance-related bonuses	Pension scheme contributions	Equity-settled share-based payment expenses	Total
		Year ended 31 December 2022					
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:							
Mr. Mingchao Yang	i	—	1,091	500	126	3,683	5,400
Mr. Haolei An	iii	—	1,493	500	126	921	3,040
Mr. Xianjin Meng	ii	—	1,015	500	126	—	1,641
Mr. Xinhua Li	ii&xi	—	1,015	500	126	—	1,641
Ms. Na Luo	iv	—	661	500	114	—	1,275
Ms. Jiewen Li	vi&xi	—	434	125	116	—	675
Non-executive directors:							
Mr. Bin Chang	iv&xi	—	—	—	—	—	—
Mr. Jiayu Yi	ii	—	—	—	—	—	—
Mr. Hongkai Li	ii	—	—	—	—	—	—
Mr. Haitao Zhang	iii&xi	—	—	—	—	—	—
Mr. Xinghai Zeng	vii	—	—	—	—	—	—
Supervisor:							
Ms. Zheng Min	v	—	661	500	124	—	1,285
		—	6,370	3,125	858	4,604	14,957

	Notes	Fees	Salaries	Performance-related bonuses	Pension scheme contributions	Equity-settled share-based payment expenses	Total
		Four months ended 30 April 2022					
		RMB'000 (unaudited)	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Chief executive and executive directors:							
Mr. Mingchao Yang	i	—	325	—	40	1,228	1,593
Mr. Haolei An	iii	—	474	—	40	307	821
Mr. Xianjin Meng	ii	—	305	—	40	—	345
Mr. Xinhua Li	ii&xi	—	229	—	30	—	259
Ms. Na Luo	iv	—	181	—	32	—	213
Ms. Jiewen Li	vi&xi	—	91	—	29	—	120
Non-executive directors:							
Mr. Bin Chang	iv&xi	—	—	—	—	—	—
Mr. Jiayu Yi	ii	—	—	—	—	—	—
Mr. Hongkai Li	ii	—	—	—	—	—	—
Mr. Haitao Zhang	iii&xi	—	—	—	—	—	—
Supervisor:							
Ms. Zheng Min	v	—	181	—	39	—	220
		—	1,786	—	250	1,535	3,571

	Notes	Four months ended 30 April 2023				
		Fees	**Salaries**	**Performance-related bonuses**	**Pension scheme contributions**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Mingchao Yang	i	—	480	—	43	523
Mr. Haolei An	iii	—	548	—	43	591
Mr. Xianjin Meng	ii	—	440	—	43	483
Mr. Xinhua Li	ii&xi	—	330	—	33	363
Ms. Na Luo	iv	—	320	—	43	363
Ms. Jiewen Li	vi&xi	—	142	—	29	171
Non-executive directors:						
Mr. Bin Chang	iv&xi	—	—	—	—	—
Mr. Jiayu Yi	ii	—	—	—	—	—
Mr. Hongkai Li	ii	—	—	—	—	—
Mr. Haitao Zhang	iii&xi	—	—	—	—	—
Mr. Xinghai Zeng	vii	—	—	—	—	—
Independent Non-executive Directors						
Mr. Xiaosong Zeng	x	—	—	—	—	—
Ms. Fangjing Yu	x	—	—	—	—	—
Mr. Jianfeng Li	x	—	—	—	—	—
Mr. Kangping Shi	x	—	—	—	—	—
Supervisor:						
Ms. Zheng Min	v	—	320	—	43	363
Ms. Yifan Zhang	viii	—	83	—	26	109
Mr. Boyuan Zhang	ix	—	41	—	8	49
		—	2,704	—	311	3,015

Notes:

(i) Mr. Mingchao Yang was appointed in July 2019.

(ii) Mr. Jiayu Yi, Mr. Xianjin Meng, Mr. Hongkai Li and Mr. Xinhua Li were appointed in October 2019.

(iii) Mr. Haolei An and Mr. Haitao Zhang were appointed in March 2020.

(iv) Ms. Na Luo and Mr. Bin Chang were appointed in July 2020.

(v) Ms. Zheng Min was appointed in December 2019.

(vi) Ms. Jiewen Li was appointed in March 2021.

(vii) Mr. Xinghai Zeng was appointed in August 2022.

(viii) Ms. Yifan Zhang was appointed in February 2023.

(ix) Mr. Boyuan Zhang was appointed in February 2023.

(x) Mr. Xiaosong Zeng, Ms. Fangjing Yu, Mr. Jianfeng Li and Mr. Kangping Shi were appointed in March 2023.

(xi) Mr. Xinhua Li, Mr. Haitao Zhang, Mr. Bin Chang and Ms. Jiewen Li resigned in March 2023.

The fair value of the Award Interests, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated statements of profit or loss for each of the Relevant Periods and the four months ended 30 April 2022 are included in the above directors' and chief executive's remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 30 April 2022.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023 include four, three, two, two and one directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one, two, three, three and four highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023 are as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries	642	2,353	7,030	2,767	2,660
Performance-related bonuses	105	320	1,230	—	—
Pension scheme contribution	28	210	237	115	163
	775	2,883	8,497	2,882	2,823

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
				(unaudited)	
HK$500,001 to HK$1,000,000 (equivalent to RMB447,001 to RMB893,000)	1	—	—	2	4
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,334,001 to RMB1,786,000)	—	2	—	1	—
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,233,001 to RMB2,680,000)	—	—	1	—	—
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,680,001 to RMB3,126,000)	—	—	1	—	—
HK$3,500,001 to HK$4,000,000 (equivalent to RMB3,126,001 to RMB3,573,000)	—	—	1	—	—
	1	2	3	3	4

11. INCOME TAX

	Year ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Current — PRC					
Charge for the year	17,659	1,834	13,845	2,062	2,167
Under/(over) provision in prior years	8	35	76	26	(549)
Deferred income tax *(note 21)*	(17,558)	(137,476)	77,139	(11,963)	42,328
	109	(135,607)	91,060	(9,875)	43,946

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% unless subject to tax exemption set out below.

Pursuant to Cai shui [2019] No. 13, "The Announcement of implementation on inclusive tax relief policy of Small-scaled minimal profit enterprise" issued by the Ministry of Finance ("MOF") and National Tax Bureau on 17 January 2019, the Small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment with only 25% income taxable at the preferential EIT rate of 20%; the Small-scaled minimal profit enterprise with an annual taxable income between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 included) is entitled to a preferential tax treatment with only 50% income taxable at the preferential EIT rate of 20%, from 1 January 2019 to 31 December 2021. Pursuant to an announcement [2021] No. 12 "The Announcement on the Implementation of Preferential Income Tax Policies for Small-scaled minimal profit enterprise and Individual Industrial and Commercial Households" issued by MOF and National Tax Bureau on 2 April 2021, for Small-scaled minimal profit enterprise with an annual taxable income amount below RMB1,000,000 (RMB1,000,000 included), on top of the tax relief policies stipulated under "The Announcement of implementation on inclusive tax relief policy of Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau" (Cai shui [2019] No. 13), the enterprise income tax will be further halved. That is, for Small-scaled minimal profit enterprise whose annual taxable income does not exceed RMB1,000,000, the taxable income is reduced by 12.5%, and the enterprise income tax is paid at the tax rate of 20%, from 1 January 2021 to 30 April 2023.

HK profit tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The Group has applied the mandatory temporary exception from recognising and disclosing information about deferred taxes related to Pillar Two income taxes. The Group is in the process of assessing the related exposure from Pillar Two income taxes.

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
(Loss)/profit before tax	(43,183)	(596,468)	332,042	(34,896)	163,540
Tax at the PRC EIT rate of 25%	(10,796)	(149,117)	83,011	(8,724)	40,885
Effect of different tax rate	—	—	248	—	93
Adjustments in respect of current tax of previous years	8	35	76	26	(549)
Expenses not deductible for tax	1,996	9,658	2,049	687	1,156
Research and development super deduction	—	(872)	(2,493)	(345)	(620)
Tax losses and deductible temporary differences not recognised	8,901	4,689	8,169	132	3,418
Tax losses utilised from previous periods	—	—	—	(1,651)	(437)
Tax charge/(credit) at the Group's effective rate	109	(135,607)	91,060	(9,875)	43,946

12. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the Relevant Periods and the four months ended 30 April 2022.

13. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the year or period attributable to owners of the parent, and the weighted average number of ordinary shares of 631,967,000, 1,594,492,000, 2,589,553,000, 2,585,325,000 and 2,670,000,000 during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in February 2023 (note 31).

(a) Basic

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
(Loss)/profit attributable to owners of the parent (RMB'000)	(43,292)	(461,990)	229,907	(30,956)	110,397
Weighted average number of ordinary shares used in the basic earnings per share calculation	631,967,000	1,594,492,000	2,589,553,000	2,585,325,000	2,670,000,000
Basic (loss)/earnings per share (RMB cents)	(6.85)	(28.97)	8.88	(1.20)	4.13

(b) Diluted

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year or period attributable to owners of the parent by the adjusted weighted average number of ordinary shares outstanding assuming conversion of the awards ("Award Interest") under the Award Interests Arrangement. A calculation is done to determine the number of shares that could have been issued by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in February 2023 (note 31).

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
				(Unaudited)	
(Loss)/profit attributable to owners of the parent (RMB'000)	(43,292)	(461,990)	229,907	(30,956)	110,397
Weighted average number of ordinary shares used in the basic earnings per share calculation	631,967,000	1,594,492,000	2,589,553,000	2,585,325,000	2,670,000,000
Adjustment for Award Interests	—	—	34,839,000	—	—
Weighted average number of ordinary shares used in the diluted earnings per share calculation	631,967,000	1,594,492,000	2,624,392,000	2,585,325,000	2,670,000,000
Diluted (loss)/earnings per share (RMB cents)	(6.85)	(28.97)	8.76	(1.20)	4.13

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2020 and 2021 and the four months ended 30 April 2022 as the Award Interests arrangement had an anti-dilutive effect on the basic loss per share amounts presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020				
At 1 January 2020:				
Cost	690	5,402	1,837	7,929
Accumulated depreciation and impairment	(25)	(1,318)	(442)	(1,785)
Net carrying amount	665	4,084	1,395	6,144
At 1 January 2020, net of accumulated depreciation and impairment	665	4,084	1,395	6,144
Additions	3,897	5,219	11,267	20,383
Depreciation provided during the year	(1,152)	(1,828)	(1,465)	(4,445)
Disposals	—	(391)	(35)	(426)
At 31 December 2020, net of accumulated depreciation and impairment	3,410	7,084	11,162	21,656

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020:				
Cost	4,587	10,168	13,011	27,766
Accumulated depreciation and impairment	(1,177)	(3,084)	(1,849)	(6,110)
Net carrying amount	3,410	7,084	11,162	21,656

As at 31 December 2020, certain of the Group's motor vehicles with an aggregate net carrying amount of approximately RMB980,000 were pledged to secure other borrowings granted to the Group (note 27).

Group

	Leasehold improvements	Machinery equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	4,587	—	10,168	13,011	—	27,766
Accumulated depreciation and impairment	(1,177)	—	(3,084)	(1,849)	—	(6,110)
Net carrying amount	3,410	—	7,084	11,162	—	21,656
At 1 January 2021, net of accumulated depreciation and impairment	3,410	—	7,084	11,162	—	21,656
Additions	6,267	3,964	7,452	13,633	33,046	64,362
Acquisition of subsidiaries *(note 34)*	—	61	10	354	1,394	1,819
Depreciation provided during the year	(1,788)	(57)	(3,077)	(4,963)	—	(9,885)
Disposals	(59)	—	(457)	(457)	—	(973)
At 31 December 2021, net of accumulated depreciation and impairment	7,830	3,968	11,012	19,729	34,440	76,979
At 31 December 2021:						
Cost	10,633	4,025	16,503	26,426	34,440	92,027
Accumulated depreciation and impairment	(2,803)	(57)	(5,491)	(6,697)	—	(15,048)
Net carrying amount	7,830	3,968	11,012	19,729	34,440	76,979

Group

	Buildings	Leasehold improvements	Machinery equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	—	10,633	4,025	16,503	26,426	34,440	92,027
Accumulated depreciation and impairment	—	(2,803)	(57)	(5,491)	(6,697)	—	(15,048)
Net carrying amount	—	7,830	3,968	11,012	19,729	34,440	76,979
At 1 January 2022, net of accumulated depreciation and impairment	—	7,830	3,968	11,012	19,729	34,440	76,979
Additions	45,652	4,221	9,426	5,230	6,254	79,765	150,548
Acquisition of a subsidiary *(note 34)*	84,975	—	37,159	865	6,056	27,481	156,536
Depreciation provided during the year	(2,807)	(7,349)	(1,585)	(4,345)	(8,260)	—	(24,346)
Disposals	—	(55)	(391)	(21)	(1,424)	—	(1,891)
Transfers	85,838	—	5,020	—	—	(90,858)	—
At 31 December 2022, net of accumulated depreciation and impairment	213,658	4,647	53,597	12,741	22,355	50,828	357,826
At 31 December 2022:							
Cost	216,465	14,799	55,209	22,450	36,382	50,828	396,133
Accumulated depreciation and impairment	(2,807)	(10,152)	(1,612)	(9,709)	(14,027)	—	(38,307)
Net carrying amount	213,658	4,647	53,597	12,741	22,355	50,828	357,826

As at 31 December 2022, certain of the Group's buildings and motor vehicles with aggregate net carrying amount of approximately RMB107,138,000 and RMB303,000 were pledged to secure bank and other borrowings granted to the Group, respectively (note 27).

As at 31 December 2022, the Group has obtained the property ownership certificates for all buildings except for the buildings with a carrying amount of RMB73,715,000 in which the Group is in the process of obtaining the certificates.

Group

	Buildings	Leasehold improvements	Machinery equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2023							
At 1 January 2023:							
Cost	216,465	14,799	55,209	22,450	36,382	50,828	396,133
Accumulated depreciation and impairment	(2,807)	(10,152)	(1,612)	(9,709)	(14,027)	—	(38,307)
Net carrying amount	213,658	4,647	53,597	12,741	22,355	50,828	357,826
At 1 January 2023, net of accumulated depreciation and impairment	213,658	4,647	53,597	12,741	22,355	50,828	357,826
Additions	2,120	1,149	5,248	933	1,943	25,209	36,602
Depreciation provided during the period	(4,244)	(1,175)	(2,006)	(1,547)	(3,480)	—	(12,452)
Disposals	—	(489)	(124)	(1)	(915)	—	(1,529)
Transfers	1,096	—	—	—	—	(1,096)	—
At 30 April 2023, net of accumulated depreciation and impairment	212,630	4,132	56,715	12,126	19,903	74,941	380,447
At 30 April 2023:							
Cost	219,681	9,501	60,324	23,380	36,948	74,941	424,775
Accumulated depreciation and impairment	(7,051)	(5,369)	(3,609)	(11,254)	(17,045)	—	(44,328)
Net carrying amount	212,630	4,132	56,715	12,126	19,903	74,941	380,447

As at 30 April 2023, certain of the Group's buildings and motor vehicles with aggregate net carrying amount of approximately RMB206,505,000 and RMB277,000 were pledged to secure bank and other borrowings granted to the Group, respectively (note 27).

As at 30 April 2023, the Group has obtained the property ownership certificates for all buildings except for the buildings with a carrying amount of RMB72,579,000 in which the Group is in the process of obtaining the certificates.

Company

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020				
At 1 January 2020:				
Cost	550	—	173	723
Accumulated depreciation and impairment	—	—	(5)	(5)
Net carrying amount	550	—	168	718
At 1 January 2020, net of accumulated depreciation and impairment	550	—	168	718
Additions	2,936	1,108	6,441	10,485
Depreciation provided during the year	(793)	(95)	(604)	(1,492)
Disposals	—	—	(3)	(3)
At 31 December 2020, net of accumulated depreciation and impairment	2,693	1,013	6,002	9,708
At 31 December 2020:				
Cost	3,486	1,108	6,611	11,205
Accumulated depreciation and impairment	(793)	(95)	(609)	(1,497)
Net carrying amount	2,693	1,013	6,002	9,708
31 December 2021				
At 1 January 2021:				
Cost	3,486	1,108	6,611	11,205
Accumulated depreciation and impairment	(793)	(95)	(609)	(1,497)
Net carrying amount	2,693	1,013	6,002	9,708
At 1 January 2021, net of accumulated depreciation and impairment	2,693	1,013	6,002	9,708
Additions	684	1,358	7,067	9,109
Depreciation provided during the year	(1,684)	(359)	(2,742)	(4,785)
At 31 December 2021, net of accumulated depreciation and impairment	1,693	2,012	10,327	14,032
At 31 December 2021:				
Cost	4,170	2,466	13,678	20,314
Accumulated depreciation and impairment	(2,477)	(454)	(3,351)	(6,282)
Net carrying amount	1,693	2,012	10,327	14,032

Company

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022				
At 1 January 2022:				
Cost	4,170	2,466	13,678	20,314
Accumulated depreciation and impairment	(2,477)	(454)	(3,351)	(6,282)
Net carrying amount	1,693	2,012	10,327	14,032
At 1 January 2022, net of accumulated depreciation and impairment	1,693	2,012	10,327	14,032
Additions	1,832	—	827	2,659
Depreciation provided during the year	(3,126)	(585)	(3,993)	(7,704)
Disposals	—	—	(896)	(896)
At 31 December 2022, net of accumulated depreciation and impairment	399	1,427	6,265	8,091
At 31 December 2022:				
Cost	6,002	2,466	13,004	21,472
Accumulated depreciation and impairment	(5,603)	(1,039)	(6,739)	(13,381)
Net carrying amount	399	1,427	6,265	8,091

Company

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2023				
At 1 January 2023:				
Cost	6,002	2,466	13,004	21,472
Accumulated depreciation and impairment	(5,603)	(1,039)	(6,739)	(13,381)
Net carrying amount	399	1,427	6,265	8,091
At 1 January 2023, net of accumulated depreciation and impairment	399	1,427	6,265	8,091
Additions	—	432	264	696
Depreciation provided during the period	—	(195)	(1,254)	(1,449)
Disposals	(399)	—	(129)	(528)
At 30 April 2023, net of accumulated depreciation and impairment	—	1,664	5,146	6,810

	Leasehold improvements	Motor vehicles	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 April 2023:				
Cost	—	2,898	12,934	15,832
Accumulated depreciation and impairment	—	(1,234)	(7,788)	(9,022)
Net carrying amount	—	1,664	5,146	6,810

15. LEASES

The Group as a lessee

The Group has lease contracts for items of office premises and plant used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and plant generally have lease terms between 2 and 5 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

Group

	Office premises and plant	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020	8,505	—	8,505
Additions	33,237	—	33,237
Depreciation charge	(8,135)	—	(8,135)
As at 31 December 2020 and 1 January 2021	33,607	—	33,607
Additions	35,739	—	35,739
Acquisition of subsidiaries *(note 34)*	11,553	22,123	33,676
Depreciation charge	(21,566)	(148)	(21,714)
Early termination of leases	(893)	—	(893)
As at 31 December 2021 and 1 January 2022	58,440	21,975	80,415
Additions	23,100	—	23,100
Acquisition of a subsidiary *(note 34)*	558	79,762	80,320
Depreciation charge	(30,574)	(625)	(31,199)
Early termination of leases	(306)	—	(306)
As at 31 December 2022 and 1 January 2023	51,218	101,112	152,330
Additions	9,683	—	9,683
Depreciation charge	(10,395)	(871)	(11,266)
Early termination of leases	(1,047)	—	(1,047)
As at 30 April 2023	49,459	100,241	149,700

As at 31 December 2022 and 30 April 2023, the Group has respectively obtained the land use right certificates for all leasehold lands except for the leasehold land with a carrying amount of RMB4,134,000 and RMB4,063,000 in which the Group is in the process of obtaining the certificates.

As at 31 December 2022 and 30 April 2023, certain of the Group's leasehold land with an aggregate net carrying amount of approximately RMB85,385,000 and RMB90,780,000 were pledged to secure bank borrowings granted to the Group (note 27).

Company

	Office premises and plant
	RMB'000
31 December 2020	
As at 1 January 2020	2,873
Additions	19,443
Depreciation charge	(3,882)
As at 31 December 2020 and 1 January 2021	18,434
Additions	6,090
Depreciation charge	(8,875)
As at 31 December 2021 and 1 January 2022	15,649
Additions	4,915
Depreciation charge	(9,622)
As at 31 December 2022 and 1 January 2023	10,942
Additions	5,319
Depreciation charge	(2,927)
As at 30 April 2023	13,334

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	7,886	30,951	40,807	39,153
New leases	33,237	35,739	23,100	9,683
Acquisition of a subsidiary *(note 34)*	—	—	544	—
Accretion of interest recognised during the year/period	912	1,904	1,902	628
Payments	(11,084)	(26,868)	(27,038)	(7,875)
Early termination of leases	—	(919)	(162)	(1,024)
At end of year/period	30,951	40,807	39,153	40,565
Analysed into:				
Current portion	14,079	20,355	19,938	22,919
Non-current portion	16,872	20,452	19,215	17,646

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	2,894	17,490	14,534	9,889
New leases	19,443	6,090	4,915	5,319
Accretion of interest recognised during the year/period	465	817	564	192
Payments	(5,312)	(9,863)	(10,124)	(2,253)
At end of year/period	17,490	14,534	9,889	13,147
Analysed into:				
Current portion	7,102	8,709	5,467	7,995
Non-current portion	10,388	5,825	4,422	5,152

The maturity analysis of lease liabilities is disclosed in note 42 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

Group

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	912	1,904	1,902	667	628
Depreciation charge of right-of-use assets	8,135	21,714	31,199	10,309	11,266
(Gain)/loss on early termination of leases	—	(26)	144	—	23
Expense relating to short-term leases	6,082	7,663	8,412	3,250	2,228
Total amount recognised in profit or loss	15,129	31,255	41,657	14,226	14,145

(d) The total cash outflows for leases are disclosed in note 35(c) to the Historical Financial Information.

16. GOODWILL

	RMB'000
Cost and net carrying amount at 1 January 2020, 2021 and 2022	—
Acquisition of a subsidiary *(note 34)*	138,010
Cost and net carrying amount at 31 December 2022 and 30 April 2023	138,010

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the cash-generating unit ("CGU") of Luyi Chengming Business for impairment testing.

The recoverable amount of the Luyi Chengming Business CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets or forecasts approved by senior management covering a five-year period. The long-term growth rate used to extrapolate the cash flows beyond the period are based on the estimated growth rate of the unit taking into account the industry growth rate, past experience and the growth target of the CGU.

The following tables set forth the pre-tax discount rate applied to the cash flow projections, the forecasted average sales growth rate and gross profit margin used to prepare cash flow projections and long-term growth rate used for the dates indicated:

	Average sales growth rates (during the five-year period)	**Average gross profit margin (during the five-year period)**	**Long-term growth rate**	**Pre-tax discount rate**
31 December 2022	15.3%	19.3%	2.3%	20.1%
30 April 2023	13.9%	19.3%	2.3%	20.1%

Assumptions were used in the value in use calculation of Luyi Chengming Business CGU as at 31 December 2022 and 30 April 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill of Luyi Chengming Business CGU:

Budgeted sales amounts — The budgeted sales amounts are based on the historical sales data and market outlook perceived by management.

Budgeted gross margins — The bases used to determine the values assigned to the budgeted gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency gains and expected market development.

Pre-tax discount rates — The discount rates reflect specific risks relating to the CGU.

The values assigned to the key assumptions on market development of the Luyi Chengming Business CGU and discount rates are consistent with external information sources.

In the opinion of the directors of the Company, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the Luyi Chengming Business CGU to exceed its recoverable amount.

Sensitivity analysis

The recoverable amounts of Luyi Chengming is estimated to exceed the carrying amounts by RMB27,866,000 and RMB45,051,000 as at 31 December 2022 and 30 April 2023, respectively. No impairment was recognised accordingly.

The changes in the following table to assumptions used in the impairment testing review would have, in isolation, led to the Luyi Chengming CGU's recoverable amount to be equal to its carrying value as at 31 December 2022 and 30 April 2023:

	As at 31 December 2022		**As at 30 April 2023**	
	From	**To**	**From**	**To**
Average sales growth rates (during the five-year period)	15.3%	14.2%	13.9%	12.4%
Average gross profit margin (during the five-year period)	19.3%	18.3%	19.3%	17.9%
Long-term growth rate	2.3%	1.1%	2.3%	0.03%
Pre-tax discount rate	20.1%	21.5%	20.1%	22.4%

17. OTHER INTANGIBLE ASSETS

Group

	Software	Trademarks	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2020			
At 1 January 2020:			
Cost	804	—	804
Accumulated amortisation	(234)	—	(234)
Net carrying amount	570	—	570
Cost at 1 January 2020, net of accumulated amortisation	570	—	570
Additions	4,530	—	4,530
Amortisation provided during the year	(1,253)	—	(1,253)
At 31 December 2020, net of accumulated amortisation	3,847	—	3,847
At 31 December 2020:			
Cost	5,334	—	5,334
Accumulated amortisation	(1,487)	—	(1,487)
Net carrying amount	3,847	—	3,847
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	3,847	—	3,847
Additions	4,963	—	4,963
Acquisition of subsidiaries *(note 34)*	113	100	213
Amortisation provided during the year	(2,959)	(1)	(2,960)
At 31 December 2021, net of accumulated amortisation	5,964	99	6,063
At 31 December 2021:			
Cost	10,410	100	10,510
Accumulated amortisation	(4,446)	(1)	(4,447)
Net carrying amount	5,964	99	6,063

	Software	Trademarks	Patent rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	5,964	99	—	6,063
Additions	1,242	21	—	1,263
Acquisition of a subsidiary *(note 34)*	392	56,944	190	57,526
Amortisation provided during the year	(3,267)	(520)	(1)	(3,788)
At 31 December 2022, net of accumulated amortisation	4,331	56,544	189	61,064
At 31 December 2022:				
Cost	12,044	57,065	190	69,299
Accumulated amortisation	(7,713)	(521)	(1)	(8,235)
Net carrying amount	4,331	56,544	189	61,064
30 April 2023				
Cost at 1 January 2023, net of accumulated amortisation	4,331	56,544	189	61,064
Additions	2,339	—	—	2,339
Amortisation provided during the period	(1,087)	(1,914)	(6)	(3,007)
At 30 April 2023, net of accumulated amortisation	5,583	54,630	183	60,396
At 30 April 2023:				
Cost	14,383	57,065	190	71,638
Accumulated amortisation	(8,800)	(2,435)	(7)	(11,242)
Net carrying amount	5,583	54,630	183	60,396

Company

	Software
	RMB'000
31 December 2020	
At 1 January 2020:	
Cost	—
Accumulated amortisation	—
Net carrying amount	—
Cost at 1 January 2020, net of accumulated amortisation	—
Additions	4,514
Amortisation provided during the year	(997)
At 31 December 2020, net of accumulated amortisation	3,517
At 31 December 2020:	
Cost	4,514
Accumulated amortisation	(997)
Net carrying amount	3,517
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	3,517
Additions	4,963
Amortisation provided during the year	(2,739)
At 31 December 2021, net of accumulated amortisation	5,741
At 31 December 2021:	
Cost	9,477
Accumulated amortisation	(3,736)
Net carrying amount	5,741
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	5,741
Additions	1,227
Amortisation provided during the year	(3,007)
At 31 December 2022, net of accumulated amortisation	3,961

	Software
	RMB'000
At 31 December 2022:	
Cost	10,704
Accumulated amortisation	(6,743)
Net carrying amount	3,961
30 April 2023	
Cost at 1 January 2023, net of accumulated amortisation	3,961
Additions	2,339
Amortisation provided during the period	(1,033)
At 30 April 2023, net of accumulated amortisation	5,267
At 30 April 2023:	
Cost	13,044
Accumulated amortisation	(7,777)
Net carrying amount	5,267

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2022 and 30 April 2023
	RMB'000
Share of net assets	2,000

In December 2022, the Group injected capital of RMB2,000,000 for the formation of an associate.

Details of the Group's associate as at 31 December 2022 and 30 April 2023 are as follows:

Name	Place of incorporation	Proportion of nominal value of registered capital held by the Group	Proportion of voting power held	Principal activities
Henan Maojiu Xiaopu Business Management Co., Ltd.	the PRC	20%	20%	Management service

As at 31 December 2022 and 30 April 2023, the carrying amount of Group's investment in an associate is RMB2,000,000, which is not considered as material to the Historical Financial Information of the Group.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Group

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through OCI				
Unlisted equity investments, at fair value				
Luyi Chengming	6,250	8,250	—	—
Beihai Daixiaji Food Co., Ltd. ("Daixiaji")	—	50,000	57,260	56,682
Lekou Xiamen Technology Co., Ltd. ("Lekou Xiamen")	—	37,500	41,578	36,412
	6,250	95,750	98,838	93,094

The above equity investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

In November 2020, the Group acquired a 2.5% of equity interest in Luyi Chengming, which is a limited liability company engaged in processing and sale of hotpot sauce and condiment products in Mainland China. Following the further acquisition of Luyi Chengming in November 2022, the Group owns a 77.3% equity interest and obtained the control of Luyi Chengming. As a result, the Group consolidated Luyi Chengming since then.

20. OTHER NON-CURRENT ASSETS

Group

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for property, plant and equipment	—	11,696	24,141	21,215
Prepayment for other intangible assets	5,467	6,419	6,816	5,352
	5,467	18,115	30,957	26,567

Company

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for other intangible assets	5,467	6,419	6,406	4,752

21. DEFERRED TAX

Group

The movements in deferred tax assets during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 are as follows:

	Losses available for offsetting against future taxable profits	Deductible advertising expenses in the future	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	976	1,967	1,971	15,500	20,414
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	13,238	(184)	5,767	5,013	23,834
Gross deferred tax assets at 31 December 2020	14,214	1,783	7,738	20,513	44,248
At 1 January 2021	14,214	1,783	7,738	20,513	44.248
Deferred tax credited to the consolidated statements of profit or loss during the year	130,664	202	2,464	6,783	140,113
Acquisition of a subsidiary *(note 34)*	269	—	—	—	269
Gross deferred tax assets at 31 December 2021	145,147	1,985	10,202	27,296	184,630
At 1 January 2022	145,147	1,985	10,202	27,296	184,630
Deferred tax (charged)/credited to the consolidated statements of profit or loss during the year	(69,826)	(1,678)	(414)	10,602	(61,316)
Gross deferred tax assets at 31 December 2022	75,321	307	9,788	37,898	123,314
At 1 January 2023	75,321	307	9,788	37,898	123,314
Deferred tax (charged)/credited to the consolidated statements of profit or loss during the period	(38,197)	(41)	353	(489)	(38,374)
Gross deferred tax assets at 30 April 2023	37,124	266	10,141	37,409	84,940

As at 31 December 2020, 2021 and 2022 and 30 April 2023, deferred tax assets have not been recognised in respect of tax losses of RMB35,604,000, RMB54,429,000, RMB83,973,000, RMB95,825,000 arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

The movements in deferred tax liabilities during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 are as follows:

	Right-of-use assets	Unrealised gains from equity investments designated at fair value through OCI	Unrealised gains from financial assets at fair value through profit or loss	Assets revaluation arising from business combinations	Accelerated tax depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	2,126	—	—	—	—	2,126
Deferred tax charged to the consolidated statements of profit or loss during the year	6,276	—	—	—	—	6,276
Gross deferred tax liabilities at 31 December 2020	8,402	—	—	—	—	8,402
At 1 January 2021	8,402	—	—	—	—	8,402
Deferred tax charged to the consolidated statements of profit or loss during the year	2,637	—	—	—	—	2,637
Deferred tax charged to OCI	—	500	—	—	—	500
Gross deferred tax liabilities at 31 December 2021	11,039	500	—	—	—	11,539
At 1 January 2022	11,039	500	—	—	—	11,539
Deferred tax (credited)/charged to the consolidated statements of profit or loss during the year	(728)	—	14,542	(857)	2,866	15,823
Deferred tax charged to OCI	—	2,959	—	—	—	2,959
Acquisition of a subsidiary *(note 34)*	—	—	—	37,820	—	37,820
Gross deferred tax liabilities at 31 December 2022	10,311	3,459	14,542	36,963	2,866	68,141
At 1 January 2023	10,311	3,459	14,542	36,963	2,866	68,141
Deferred tax (credited)/charged to the consolidated statements of profit or loss during the period	50	—	4,806	(51)	(851)	3,954
Deferred tax charged to OCI	—	(1,436)	—	—	—	(1,436)
Gross deferred tax liabilities at 30 April 2023	10,361	2,023	19,348	36,912	2,015	70,659

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	35,846	174,303	116,534	78,792
Net deferred tax liabilities recognised in the consolidated statements of financial position	—	1,212	61,361	64,511

Company

The movements in deferred tax assets during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 are as follows:

	Losses available for offsetting against future taxable profits	Deductible advertising expenses in the future	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	392	226	723	12,582	13,923
Deferred tax (charged)/credited to the statements of profit or loss during the year	(392)	(226)	3,650	4,103	7,135
Gross deferred tax assets at 31 December 2020	—	—	4,373	16,685	21,058
At 1 January 2021	—	—	4,373	16,685	21,058
Deferred tax credited/(charged) to the statements of profit or loss during the year	98,020	—	(739)	3,363	100,644
Gross deferred tax assets at 31 December 2021	98,020	—	3,634	20,048	121,702
At 1 January 2022	98,020	—	3,634	20,048	121,702
Deferred tax (charged)/credited to the statements of profit or loss during the year	(65,277)	—	(1,162)	431	(66,008)
Gross deferred tax assets at 31 December 2022	32,743	—	2,472	20,479	55,694
At 1 January 2023	32,743	—	2,472	20,479	55,694
Deferred tax (charged)/credited to the statements of profit or loss during the period	(29,765)	—	815	98	(28,852)
Gross deferred tax assets at 30 April 2023	2,978	—	3,287	20,577	26,842

The movements in deferred tax liabilities during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 are as follows:

	Right-of-use assets
	RMB'000
At 1 January 2020	718
Deferred tax charged to the statements of profit or loss during the year	3,891
Gross deferred tax liabilities at 31 December 2020	4,609
At 1 January 2021	4,609
Deferred tax credited to the statements of profit or loss during the year	(697)
Gross deferred tax liabilities at 31 December 2021	3,912
At 1 January 2022	3,912
Deferred tax credited to the statements of profit or loss during the year	(1,176)
Gross deferred tax liabilities at 31 December 2022	2,736
At 1 January 2023	2,736
Deferred tax credited to the statements of profit or loss during the period	597
Gross deferred tax liabilities at 30 April 2023	3,333

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the statements of financial position	16,449	117,790	52,958	23,509
Net deferred tax liabilities recognised in the statements of financial position	—	—	—	—

22. INVENTORIES

Group

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	—	33,544	94,774	124,730
Finished goods	646,588	568,072	956,528	432,119
Provision for impairment of inventories	—	—	(3,898)	(6,221)
	646,588	601,616	1,047,404	550,628

For the year ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, the impairment of inventories recognised in cost of sales amounted to nil, nil, RMB3,898,000 and RMB2,323,000, respectively.

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	646,289	546,629	856,670	311,887

23. TRADE RECEIVABLES

Group

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	15,316	139,335	141,700
Impairment	—	(426)	(5,010)	(11,472)
	—	14,890	134,325	130,228

Included in the Group's trade receivables are amounts due from the related parties of nil, nil, RMB10,357,000 and RMB3,742,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023 respectively, which are recoverable within one year.

Advance payment is normally required for the sale to franchisees in Mainland China except for direct sales customers where credits are granted. The credit period is generally one month, extending up to six months for major direct sales customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2020, 2021 and 2022 and 30 April 2023, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	—	10,118	51,494	10,432
1 to 3 months	—	4,198	80,681	35,364
3 to 6 months	—	574	684	78,373
6 to 12 months	—	—	1,182	6,048
1 to 2 years	—	—	284	11
	—	14,890	134,325	130,228

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	—	426	5,010
Impairment loss, net	—	426	4,584	6,462
At end of year/period	—	426	5,010	11,472

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group overall considers the characteristics of the shared credit risk and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and in general, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The ECLs below incorporate forward-looking information. The impairment as of 31 December 2021, 2022 and 30 April 2023 is determined as follows:

		Past due					
	Current	**Within 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
At 31 December 2021							
Expected credit loss rate	1.11%	6.15%	—	—	—	—	
Gross carrying amount	10,239	5,077	—	—	—	—	15,316
Loss allowance provision	114	312	—	—	—	—	426
At 31 December 2022							
Expected credit loss rate	0.61%	3.33%	9.25%	36.91%	100.00%	—	
Gross carrying amount	51,808	84,032	800	1,387	1,308	—	139,335
Loss allowance provision	314	2,802	74	512	1,308	—	5,010
At 30 April 2023							
Expected credit loss rate	0.72%	3.46%	9.53%	41.18%	100.00%	100.00%	
Gross carrying amount	10,507	51,978	76,061	1,372	1,347	435	141,700
Loss allowance provision	76	1,801	7,248	565	1,347	435	11,472

Company

	As at 31 December			**As at 30 April**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	5,365	6,385	4,724
Impairment	—	(288)	(306)	(354)
	—	5,077	6,079	4,370

An ageing analysis of the trade receivables as at 31 December 2020, 2021 and 2022 and 30 April 2023, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			**As at 30 April**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	—	2,810	6,070	207
1 to 3 months	—	1,692	9	762
3 to 6 months	—	575	—	3,401
	—	5,077	6,079	4,370

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2021	2022	As at 30 April 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	—	—	288	306
Impairment loss, net	—	288	18	48
At end of year/period	—	288	306	354

The impairment as of 31 December 2021, 2022 and 30 April 2023 is determined as follows:

		Past due				
	Current	Within 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Total
At 31 December 2021						
Expected credit loss rate	4.81%	6.05%	—	—	—	
Gross carrying amount	2,953	2,412	—	—	—	5,365
Loss allowance provision	142	146	—	—	—	288
At 31 December 2022						
Expected credit loss rate	4.67%	9.09%	—	60.00%	100.00%	
Gross carrying amount	6,362	11	—	10	2	6,385
Loss allowance provision	297	1	—	6	2	306
At 30 April 2023						
Expected credit loss rate	5.05%	6.19%	8.14%	—	100.00%	
Gross carrying amount	218	1,454	3,047	—	5	4,724
Loss allowance provision	11	90	248	—	5	354

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	170,601	297,949	230,092	331,378
Deposits	39,872	37,515	28,124	28,810
Receivables due from online payment platforms	—	16,957	61,455	3,531
Recoverable VAT	46,592	60,478	61,800	69,929
Amounts due from related parties (trade in nature)	19,236	49,734	22,063	20,605
Others	17,761	16,672	36,580	57,643
	294,062	479,305	440,114	511,896

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	167,630	218,407	87,606	184,182
Deposits	38,342	33,840	23,166	24,056
Amounts due from related parties	19,236	49,734	21,078	19,595
Recoverable VAT	46,592	46,964	30,274	42,242
Receivables due from online payment platforms	—	16,957	11,379	3,531
Others	11,060	10,751	29,036	49,467
	282,860	376,653	202,539	323,073

Included in the Group's and the Company's prepayments, other receivables and other assets are prepayments to the related parties of RMB9,225,000, RMB39,730,000, RMB22,063,000 and RMB20,605,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023 respectively, and deposits due from the related parties of RMB10,011,000, RMB10,004,000, nil and nil as at 31 December 2020, 2021 and 2022 and 30 April 2023 respectively, which are recoverable within one year.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion				
Wealth management products *(i)*	—	200,334	50,067	210,257
Non-current Portion				
Unlisted convertible redeemable preferred shares *(ii)*	—	129,708	187,875	207,101
	—	330,042	237,942	417,358

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products *(i)*	—	200,334	50,067	210,257

(i) The Group and the Company entered into a series of wealth management products with banks in Mainland China. The investments are principal guaranteed. The expected rates of return ranged from 1.30% to 3.79% per annum during the Relevant Periods.

(ii) The Group held certain unlisted convertible redeemable preferred shares, whereby the Group has the option to either convert preferred shares into shares of the investee or withdraw funds from the investee.

26. LONG-TERM BANK DEPOSITS, CASH AND BANK BALANCES AND RESTRICTED CASH

Group

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank deposits	—	181,223	526,208	500,698
Cash on hand and cash at bank	100,821	417,573	694,954	543,148
Short-term bank deposits	—	210,000	—	80,000
Cash and bank balances	100,821	627,573	694,954	623,148
Restricted cash	27,123	33,474	42,164	45,639

The long-term bank deposits, cash and bank balances and restricted cash are denominated in the following currencies:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank deposits				
RMB	—	181,223	526,208	500,698
Cash and bank balances denominated in				
RMB	100,821	627,566	692,016	623,043
USD	—	7	8	8
HKD	—	—	2,930	97
	100,821	627,573	694,954	623,148
Restricted cash				
RMB	27,123	33,474	42,164	45,639

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank deposits	—	181,223	526,208	500,698
Cash at bank	82,241	368,507	565,133	448,384
Short-term bank deposits	—	180,000	—	30,000
Cash and bank balances	82,241	548,507	565,133	478,384

The long-term bank deposits and cash and bank balances are denominated in the following currencies:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term bank deposits				
RMB	—	181,223	526,208	500,698
Cash and bank balances denominated in				
RMB	82,241	548,500	565,126	478,377
USD	—	7	7	7
	82,241	548,507	565,133	478,384

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. The bank deposits are made for varying periods of between one year and three years depending on the cash management of the Group. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Restricted cash of RMB27,123,000, RMB33,474,000, RMB42,164,000 and RMB45,639,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively was reserved for receipts in advance of prepaid cards in accordance with relevant regulations issued by Ministry of Commerce of PRC.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

		As at 31 December									As at 30 April		
		2020			2021			2022			2023		
	Notes	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
		(%)			*(%)*			*(%)*			*(%)*		
Current													
Bank loans — secured	i	5.50	2021	30,182	—	—	—	5.00	2023	55,076	4.50-5.00	2023-2024	55,159
Bank loans — unsecured		3.95	2021	10,037	—	—	—	4.50	2023	40,309	5.00	2023	40,293
Other borrowings — secured	ii	5.88	2021	275	—	—	—	6.90	2023	53	6.90	2023	51
Other borrowings — unsecured		5.00	2021	47,750	—	—	—	—	—	—			—
				88,244			—			95,438			95,503
Non-current													
Bank loans — secured	i	—	—	—	—	—	—	—	—	—	5.00	2024-2027	10,000
Other borrowings — secured	ii	—	—	—	—	—	—	6.90	2024-2027	191	6.90	2024-2027	173
				—			—			191			10,173

(i) As at 31 December 2020, a director of the Group had guaranteed bank loans up to an amount of RMB30,182,000.

As at 31 December 2022, the Group's secured bank borrowings of RMB5,000,000 were guaranteed by a close family member of a director of the Company and RMB50,076,000 were secured by certain property, plant and equipment and right-of-use assets with the carrying amount of RMB107,138,000 and RMB85,385,000, respectively.

As at 30 April 2023, the Group's secured bank borrowings of RMB5,025,000 were guaranteed by a close family member of a director of the Company.

As at 30 April 2023, the Group's secured bank borrowings of RMB50,069,000 were guaranteed by a close family member of a director of the Company and secured by certain property, plant and equipment and right-of use assets with the carrying amount of RMB107,802,000 and RMB78,858,000, respectively.

As at 30 April 2023, the Group's secured bank borrowings of RMB10,065,000 were secured by certain property, plant and equipment and right-of use assets with the carrying amount of RMB98,703,000 and RMB11,922,000, respectively.

(ii) As at 31 December 2020, 2021 and 2022 and 30 April 2023, the Group's secured other borrowings of RMB275,000, nil, RMB244,000 and RMB224,000 were secured by certain property, plant and equipment of RMB980,000, nil, RMB303,000 and RMB277,000, respectively.

Company

		As at 31 December									As at 30 April		
		2020			2021			2022			2023		
	Note	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
		(%)			(%)			(%)			(%)		
Bank loans — secured	i	5.50	2021	30,182	—	—	—	—	—	—	—	—	—
Bank loans — unsecured		3.95	2021	10,037	—	—	—	—	—	—	—	—	—
Other borrowings — unsecured		5.00	2021	47,750	—	—	—	—	—	—	—	—	—
				87,969			—			—			—

(i) As at 31 December 2020, a director of the Company had guaranteed bank loans up to an amount of RMB30,182,000.

28. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2020, 2021 and 2022 and 30 April 2023, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	87,756	175,777	531,637	126,734
1 to 3 months	8,655	3,087	40,629	44,428
3 to 6 months	667	470	1,891	20,817
6 months to 1 year	83	1,631	1,362	760
Over 1 year	244	28	1,962	2,947
	97,405	180,993	577,481	195,686

Company

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	87,712	152,787	440,285	92,687
1 to 3 months	8,655	2,907	10,657	10,208
3 to 6 months	667	468	332	5,099
6 months to 1 year	83	1,620	136	137
Over 1 year	244	28	1,231	1,222
	97,361	157,810	452,641	109,353

Trade payables are non-interest-bearing and normally settled within 30 days.

Included in the Group's trade payables are amounts due to a related party of nil, RMB10,349,000, RMB7,083,000 and RMB17,880,000 as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

29. OTHER PAYABLES AND ACCRUALS

Group

	Notes	As at 31 December			As at 30 April
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Staff salaries, bonuses and welfare payables		47,486	88,597	115,829	84,196
Other payables for property, plant and equipment		—	6,727	39,104	24,021
Other tax payables		18,594	23,037	40,550	15,372
Contract liabilities	i	54,663	61,398	91,140	76,006
Deposits	ii	46,822	72,803	111,525	117,901
Collection of the sales of franchised stores on behalf of franchisees	iii	6,911	2,263	2,509	574
Receipt on behalf of franchisees for prepaid cards	iv	67,808	83,687	118,223	114,048
Accrued expenses		14,276	29,354	54,320	26,297
Other payables		18,451	13,064	16,319	17,704
		275,011	380,930	589,519	476,119

(i) Details of contract liabilities are as follows:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sale of home meal and other food related products	23,422	20,920	22,190	15,954
Operational support service fee	31,241	40,478	68,950	60,052
Total contract liabilities	54,663	61,398	91,140	76,006

The contract liabilities changed during the Relevant Periods due to fluctuation in operational support service fee with advanced payments.

(ii) The balance represents the refundable initial deposit received from franchisees upon entering into franchise agreements.

(iii) The amount would normally be repaid to the franchisees on a daily basis, subject to provisions set out in the franchise agreements.

(iv) Receipt of sales proceeds from prepaid cards represents the advance receipts from the end customers who add value to their prepaid cards. The Group receives the amount on behalf of franchisees and such amount is settled when the end customers use the cards to purchase goods in stores.

Company

	Note	As at 31 December			As at 30 April
		2020	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	i	11,738	24,760	23,059	8,382
Staff salaries, bonuses and welfare payables		14,126	34,507	26,997	16,565
Deposits		100	100	8,040	7,840
Other tax payables		9,069	21,181	26,774	8,588
Accrued expenses		13,239	27,321	49,358	15,381
Other payables		3,299	4,788	4,340	9,822
		51,571	112,657	138,568	66,578

(i) Details of contract liabilities are as follows:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers				
Sale of home meal and other food related products	11,738	24,760	23,059	8,382

The Company's contract liabilities as at 1 January 2020, 2021, 2022 and 2023 were fully recognised as revenue for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, respectively.

30. DEFERRED INCOME

Group

	As at 31 December	As at 30 April
	2022	**2023**
	RMB'000	*RMB'000*
Government grants	7,335	7,132

Movements in government grants of the Group during the Relevant Periods are as follows:

	As at 31 December	As at 30 April
	2022	**2023**
	RMB'000	*RMB'000*
At beginning of year/period	—	7,335
Government grants received	7,671	—
Credited to the consolidated statements of profit or loss during the year/period	(336)	(203)
	7,335	7,132

The Group received government grants for capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

31. PAID-IN CAPITAL/SHARE CAPITAL

A summary of movements in the Company's issued paid-in capital during the Relevant Periods is as follows:

Share capital

	Notes	Total *RMB'000*
Issued and fully paid as at 1 January 2020, 31 December 2020, 31 December 2021 and 31 December 2022		—
Issue of ordinary shares upon conversion into a joint stock company	e	2,670,000
As at 30 April 2023		2,670,000

Paid-in capital

	Notes	Total *RMB'000*
At 1 January 2020		2,078
Capitalisation of other borrowings	a	325
Capital injection	b	4,466
At 31 December 2020 and at 1 January 2021		6,869
Capital injection	c	13,732
At 31 December 2021 and at 1 January 2022		20,601
Capital issued for acquisition of a subsidiary	d	392
At 31 December 2022 and at 1 January 2023		20,993
Conversion into a joint stock company	e	(20,993)
At 30 April 2023		—

(a) In December 2019, the Company entered into a capital increase agreement with Suzhou Yizhong Venture Capital Partnership (Limited Partnership). According to the supplementary agreement entered in April 2020, total capital of RMB30,000,000 was to be contributed to the Company by capitalisation of the loans from the above investor with approximately RMB325,000 and RMB29,675,000 credited to the Company's paid-in capital and capital reserve.

(b) In October 2019, the Company entered into a capital increase agreement with Huzhou Buqizhiqi Equity Investment Partnership (Limited Partnership). In April 2020, total capital of RMB12,000,000 was to be injected into the Company by Huzhou Buqizhiqi Equity Investment Partnership (Limited Partnership) for the initial subscription with approximately RMB223,000 and RMB11,777,000 credited to the Company's capital and reserves, respectively.

In December 2019, the Company entered into a capital increase agreement with FAMOUS WEALTHY LIMITED, Generation One Holdings Ltd and Huzhou Buqizhiqi Equity Investment Partnership (Limited Partnership). According to the agreement, total capital of RMB225,394,000 was to be injected into the Company by the above investors with approximately RMB2,418,000 and RMB222,976,000 credited to the Company's paid-in capital and capital reserve, respectively. During the year ended 31 December 2020, 100% of the total capital was contributed by these investors.

In July 2020, the Company entered into a capital increase agreement with FAMOUS WEALTHY LIMITED, Generation One Holdings Ltd, GENERATION PI HK INVESTMENT LIMITED, Lighthouse Development (HK) Limited and Buhuovc Platinum Limited. According to the agreement, total capital of RMB380,777,000 was to be injected into the Company by the above investors with approximately RMB1,825,000 and RMB378,952,000 credited to the Company's paid-in capital and capital reserve, respectively. During the year ended 31 December 2020, 100% of the total capital was contributed by these investors.

(c) In March 2021, the Company entered into a capital increase agreement with Chongqing Zhaoying Longyao Growth Phase II Equity Investment Fund Partnership (Limited Partnership), GENERATION PI HK INVESTMENT LIMITED, Tiantu China Consumer Fund II Limited, Chengdu Quanyi Food Co., Ltd., TN Titanium Limited, Oakwise Consumer Trends Investment Limited and Mr. Wang Hongbo. According to the agreement, total capital of RMB1,550,209,000 was to be injected into the Company by the above investors with approximately RMB2,766,000 and RMB1,547,443,000 credited to the Company's paid-in capital and capital reserve, respectively. During the year ended 31 December 2021, 100% of the total capital was contributed by these investors.

In August 2021, the Company entered into a capital increase agreement with Shenzhen Tongfu Trading Co., Ltd., Moutai (Guizhou) Investment Fund Partnership (Limited Partnership) and Shenzhen Xintonglu Supply Chain Technology Co., Ltd. According to the agreement, total capital of RMB308,446,000 was to be injected into the Company by the above investors with approximately RMB550,000 and RMB307,896,000 credited to the Company's paid-in capital and capital reserve, respectively. During the year ended 31 December 2021, 100% of the total capital was contributed by these investors.

In August 2021, the equity holders of the Company, Mr. Yang Mingchao, Mr. Li Xinhua, Mr. Meng Xianjin, Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) and Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) had paid up the registered capital of the initial subscription amounting to RMB10,416,000.

(d) In November 2022, the Company entered into a share purchase and merger agreement with certain equity holders of Luyi Chengming, pursuant to which total capital of approximately RMB261,791,000 was issued by the Company in exchange for a 74.8% equity interest in Luyi Chengming, with RMB392,000 and RMB261,399,000 credited to the Company's paid-in capital and capital reserve, respectively.

(e) In February 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital and reserves, amounting to approximately RMB2,678,174,000 were converted into 2,670,000,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

32. GRANT OF THE AWARD INTERESTS TO TWO DIRECTORS OF THE COMPANY

In October 2019, pursuant to the Award Interests Arrangement approved by the board of directors of the Company, Award Interests of RMB823,118 registered capital was granted to Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) ("Guoxiaoquan EM"), which is owned as to 80% by a director of the Company, Mr. Yang Mingchao and 20% by another director of the Company, Mr An Haolei. Such Award Interests were granted to incentivise them to further promote the Company's franchise network expansion. These Award Interests granted shall be subject to a performance-based vesting condition, which means that the Company's performance targets of 2020, 2021 and 2022 shall be assessed as the unlocking conditions. Subject to the satisfaction of the performance condition, the Award Interests held shall be unlocked in the proportion up to 1/3 of the total number of the Award Interests granted provided that the 2020, 2021 or 2022 performance targets had been met.

The fair value of the Award Interests granted during the year ended 31 December 2019 was determined at RMB34,505,000, and the Group recognised share-based payment expenses of RMB16,415,000, RMB10,262,000, RMB4,604,000 and RMB1,535,000 in profit or loss for the above mentioned 823,118 Award Interests granted to the two directors for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022, respectively.

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(i) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(ii) Capital reserve

The capital reserve of the Group represents the excess of the consideration received for subscription of the registered capital of the Company and costs borne by the controlling shareholders, Mr. Yang Mingchao, Mr. Meng Xianjin and Mr. Li Xinhua in prior years.

(b) Company

	Capital reserve	(Accumulated losses)/ Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2020	118,053	(51,307)	66,746
Profit for the year	—	41,248	41,248
Equity-settled Award Interests arrangement	16,415	—	16,415
Capitalisation of other borrowings	29,675	—	29,675
Capital injection from investors	613,704	—	613,704
As at 31 December 2020 and 1 January 2021	777,847	(10,059)	767,788
Loss for the year	—	(325,280)	(325,280)
Equity-settled Award Interests arrangement	10,262	—	10,262
Capital injection from investors	1,855,339	—	1,855,339
As at 31 December 2021 and 1 January 2022	2,643,448	(335,339)	2,308,109
Profit for the year	—	189,284	189,284
Equity-settled Award Interests arrangement	4,604	—	4,604
Capital issued for acquisition of a subsidiary	261,399	—	261,399
As at 31 December 2022 and 1 January 2023	2,909,451	(146,055)	2,763,396
Profit for the period	—	86,900	86,900
Conversion into a joint stock company	(2,808,272)	159,265	(2,649,007)
As at 30 April 2023	101,179	100,110	201,289

34. BUSINESS COMBINATIONS

In February 2021, the Company entered into a share purchase agreement with third parties to acquire 100% equity interests of Henan Guoxiaoquan Electronic Commerce Co., Ltd. ("Guoxiaoquan") for an aggregate purchase price of RMB2,475,000 in cash. Guoxiaoquan is principally engaged in development of information technology. The acquisition was made as part of the Group's strategy to support its sale of products through e-commerce platforms. The acquisition was consummated in February 2021.

The fair values of the identifiable assets and liabilities of Guoxiaoquan as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	14	130
Deferred tax assets	21	269
Prepayments, other receivables and other assets		3,845
Cash and bank balances		515
Other payables and accruals		(2,284)
Total identifiable net assets at fair value		2,475
Satisfied by cash		2,475

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(2,475)
Cash and cash equivalents acquired	515
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,960)

The fair values of the other receivables as at the date of acquisition amounted to RMB3,760,000. The gross contractual amounts of other receivables were RMB3,762,000 of which RMB2,000 are expected to be uncollectible.

Since the acquisition, Guoxiaoquan contributed RMB6,000,000 to the Group's revenue and caused a loss of RMB3,981,000 to the consolidated loss of the Group for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue and the loss of the Group for the year would have been RMB3,957,804,000 and RMB461,198,000 respectively.

In August 2021, Guoquan Investment Management (Shanghai) Co., Ltd., a subsidiary of the Company, entered into a share purchase agreement with third parties to acquire 51% equity interests of Luyi Heyi Meat Industry Co., Ltd. ("Luyi Heyi") at nil consideration. Luyi Heyi is principally engaged in processing and sale of meat products. The acquisition was made as part of the Group's strategy to enhance the production and manufacture of meat. The acquisition was consummated in August 2021.

The fair values of the identifiable assets and liabilities of Luyi Heyi as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	795
Other intangible assets	17	149
Right-of-use assets	15(a)	23,384
Inventories		2,769
Trade receivables		624
Prepayments, other receivables and other assets		15,067
Cash and bank balances		3,030
Trade payables		(8,987)
Other payables and accruals		(36,781)
Total identifiable net assets at fair value		50
Non-controlling interests		(25)
Gain on bargain purchase recognised in other income and gains in the consolidated statements of profit or loss		(25)
Satisfied by cash		—

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents acquired	3,030
Net inflow of cash and cash equivalents included in cash flows from investing activities	3,030

The fair values of the other receivables as at the date of acquisition amounted to RMB7,009,000. The gross contractual amounts of other receivables were RMB7,019,000 of which RMB10,000 are expected to be uncollectible.

Since the acquisition, Luyi Heyi contributed revenue of RMB125,899,000 and profit of RMB9,247,000 to the consolidated loss of the Group for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue and the loss of the Group for the year would have been RMB4,012,198,000 and RMB460,908,000, respectively.

In August 2021, Guoquan Investment Management (Shanghai) Co., Ltd., a subsidiary of the Company, entered into a share purchase agreement with third parties to acquire 51% equity interests of Luyi Wanlai Wanqu Food Co., Ltd. ("Wanlai Wanqu") at nil consideration. Wanlai Wanqu is principally engaged in processing and sale of meat products. The acquisition was made as part of the Group's strategy to enhance the production and manufacture of meat. The acquisition was consummated in August 2021.

The fair values of the identifiable assets and liabilities of Wanlai Wanqu as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	894
Other intangible assets	17	64
Right-of-use assets	15(a)	10,292
Prepayments, other receivables and other assets		6,907
Cash and bank balances		1,054
Trade payables		(26)
Other payables and accruals		(19,185)
Total identifiable net assets at fair value		—
Satisfied by cash		—

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents acquired	1,054
Net inflow of cash and cash equivalents included in cash flows from investing activities	1,054

The fair values of the other receivables as at the date of acquisition amounted to RMB2,680,000. The gross contractual amounts of other receivables were RMB2,683,000 of which RMB3,000 are expected to be uncollectible.

Since the acquisition, Wanlai Wanqu contributed RMB2,676,000 to the Group's revenue and caused a loss of RMB1,276,000 to the consolidated loss of the Group for the year ended 31 December 2021.

Had the combination taken place at the beginning of 2021, the revenue and the loss of the Group for the year would have been RMB3,957,804,000 and RMB460,861,000, respectively.

In November 2020, the Group acquired a 2.5% of equity interest in Luyi Chengming, which is a limited liability company engaged in processing and sale of hotpot sauce and condiment products in the PRC. In November 2022, the Company further entered into a share purchase and merger agreement with certain equity holders of Luyi Chengming, including Ms. Yang Tongyu, a close family member of a director of the Company. Pursuant to the agreement, total capital of approximately RMB261,791,000 was issued by the Company to acquire a 74.8% equity interests in Luyi Chengming.

The acquisition was made as part of the Group's strategy to enhance its hotpot sauce and condiment productions. The acquisition was consummated in November 2022.

The fair values of the identifiable assets and liabilities of Luyi Chengming as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	156,536
Other intangible assets	17	57,526
Right-of-use assets	15(a)	80,320
Other non-current assets		14,299
Trade receivables		10,121
Prepayments, other receivables and other assets		12,115
Cash and bank balances		32,690
Inventories		38,297
Lease liabilities	15(b)	(544)
Deferred tax liabilities	21	(37,820)
Interest-bearing bank and other borrowings		(55,000)
Trade payables		(76,316)
Other payables and accruals		(54,420)
Tax payables		(6,349)
Total identifiable net assets at fair value		171,455
Non-controlling interests		(38,924)
Goodwill on acquisition		138,010
Satisfied by:		
Fair value of the shares recorded in financial assets designated at fair value through OCI		8,750
Capital		261,791

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash and cash equivalents acquired	32,690
Net inflow of cash and cash equivalents included in cash flows from investing activities	32,690

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB10,121,000 and RMB3,989,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB10,421,000 and RMB3,989,000, respectively, of which trade receivables of RMB300,000 are expected to be uncollectible.

Since the acquisition, Luyi Chengming contributed RMB79,157,000 to the Group's revenue and profit of RMB1,671,000 to the consolidated profit of the Group for the year ended 31 December 2022.

Had the combination taken place at the beginning of 2022, the revenue and the profit of the Group for the year would have been RMB7,564,030,000 and RMB242,695,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB33,237,000, RMB35,739,000, RMB23,100,000 and RMB9,683,000 respectively, in respect of lease agreements.

In April 2020, by way of debt-to-equity swap, other borrowings of RMB30,000,000 were converted into certain capital of the Company.

In November 2022, the Company entered into a share purchase and merger agreement with certain equity holders of Luyi Chengming, pursuant to which total capital of approximately RMB261,791,000 was issued by the Company to acquire a 74.8% equity interest in Luyi Chengming.

In February 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital and reserves, amounting to approximately RMB2,678,174,000 were converted into 2,670,000,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2020	147,442	7,886
Changes from financing cash flows	(30,247)	(11,084)
New leases	—	33,237
Debt-to-equity swap arrangement	(30,000)	—
Exchange gain	(33)	—
Accretion of interest recognised during the year	1,082	912
At 31 December 2020 and 1 January 2021	88,244	30,951
Changes from financing cash flows	(89,406)	(26,868)
New leases	—	35,739
Exchange loss	232	—
Early termination of leases	—	(919)
Accretion of interest recognised during the year	930	1,904
At 31 December 2021 and 1 January 2022	—	40,807
Changes from financing cash flows	39,967	(27,038)
New leases	—	23,100
Acquisition of a subsidiary	55,000	544
Accretion of interest recognised during the year	662	1,902
Early termination of leases	—	(162)
At 31 December 2022 and 1 January 2023	95,629	39,153
Changes from financing cash flows	8,613	(7,875)
New leases	—	9,683
Accretion of interest recognised during the period	1,434	628
Early termination of leases	—	(1,024)
At 30 April 2023	105,676	40,565
At 31 December 2021 and 1 January 2022	—	40,807
Changes from financing cash flows (unaudited)	—	(8,440)
New leases (unaudited)	—	9,407
Accretion of interest recognised during the period (unaudited)	—	667
At 30 April 2022 (unaudited)	—	42,441

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Within operating activities	6,082	7,663	8,412	3,250	2,228
Within financing activities	11,084	26,868	27,038	8,440	7,875
	17,166	34,531	35,450	11,690	10,103

36. CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 30 April 2023, neither the Group nor the Company had any significant contingent liabilities.

37. PLEDGE OF ASSETS

Details of the Group's interest-bearing borrowings, which are secured by the assets of the Group, are included in note 27 to the Historical Financial Information.

38. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	8,224	64,719	25,815	13,000

39. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023:

(a) Transactions with related parties:

	Year ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Sale of goods					
Shanghai Shengxian Food Co., Ltd. *(i)*	N/A	7,073	33,107	13,651	5,229
Purchase of goods					
Luyi Chengming *(ii)*	182,730	217,358	252,631	100,889	N/A
Shanghai Shengxian Food Co., Ltd. *(i)*	N/A	64,509	113,637	26,874	31,857
	182,730	281,867	366,268	127,763	31,857
Purchase of services					
Luyi Chengming Industrial Zone Management Co., Ltd ("Chengming Management") *(iii)*	N/A	N/A	555	N/A	31

(i) Shanghai Shengxian Food Co., Ltd. has been identified as a related party of the Group as it was held as to 38.5% by a supervisor of Luyi Heyi and 30.0% by a general manager of Luyi Heyi, a subsidiary acquired by the Group in August 2021.

(ii) Luyi Chengming has been identified as a related party of the Group as it was controlled by Ms. Yang Tongyu, Mr. Yang Mingchao's close family member. Luyi Chengming has been subsequently acquired by the Group in November 2022 and became a subsidiary of the Group.

The sales to the related parties were made according to the published prices and conditions offered to the major customers. The purchases from the related parties were conducted in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.

(iii) Chengming Management was identified as a related party of the Group from August 2022 to May 2023 as it was controlled by Ms. Yang Tongyu, Mr. Yang Mingchao's close family member. Chengming Management was subsequently disposed to independent third parties in May 2023 and ceased to be a related party of the Group since then.

(b) Guarantees

As disclosed in note 27 to the Historical Financial Information, the Group's bank loans of RMB30,182,000 were guaranteed by a director of the Group as at 31 December 2020 and RMB5,000,000 were guaranteed by a close family member of a director of the Company as at 31 December 2022. Both guarantees had been released during the Relevant Periods.

The Group's bank loans of RMB55,094,000 were guaranteed by a close family member of a director of the Company as at 30 April 2023 and the guarantee has been subsequently released in June 2023.

(c) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group, which comprises the remuneration of the directors, is disclosed in note 9 and note 10 to the Historical Financial Information.

(d) Outstanding balances with related parties

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Shanghai Shengxian Food Co., Ltd.	N/A	N/A	10,357	3,742
Amounts due from related parties (trade in nature)				
Prepayments				
Shanghai Shengxian Food Co., Ltd.	N/A	4,973	21,078	19,595
Luyi Chengming	9,225	34,757	N/A	N/A
Chengming Management	N/A	N/A	985	1,010
Deposits				
Luyi Chengming	10,011	10,004	N/A	N/A
Total amounts due from related parties	19,236	49,734	22,063	20,605
Trade payables				
Shanghai Shengxian Food Co., Ltd.	N/A	10,349	7,083	17,880

Amounts due from a related party were unsecured, interest-free and repayable on credit terms, and amounts due to a related party were unsecured, interest-free and repayable within 30 days.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2020, 2021 and 2022 and 30 April 2023 are as follows:

31 December 2020

Financial assets

	Financial assets at fair value through OCI		
	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Equity investments designated at fair value through OCI	6,250	—	6,250
Financial assets included in prepayment, other receivables and other assets	—	67,644	67,644
Restricted cash	—	27,123	27,123
Cash and bank balances	—	100,821	100,821
	6,250	195,588	201,838

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	97,405
Financial liabilities included in other payables and accruals	154,267
Interest-bearing bank and other borrowings	88,244
	339,916

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI		
	Mandatorily	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through OCI	—	95,750	—	95,750
Financial assets at fair value through profit or loss	330,042	—	—	330,042
Long-term bank deposits	—	—	181,223	181,223
Trade receivables	—	—	14,890	14,890
Financial assets included in prepayment, other receivables and other assets	—	—	81,148	81,148
Restricted cash	—	—	33,474	33,474
Cash and bank balances	—	—	627,573	627,573
	330,042	95,750	938,308	1,364,100

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	180,993
Financial liabilities included in other payables and accruals	207,897
	388,890

31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI		
	Mandatorily	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through OCI	—	98,838	—	98,838
Financial assets at fair value through profit or loss	237,942	—	—	237,942
Long term bank deposits	—	—	526,208	526,208
Trade receivables	—	—	134,325	134,325
Financial assets included in prepayment, other receivables and other assets	—	—	126,159	126,159
Restricted cash	—	—	42,164	42,164
Cash and bank balances	—	—	694,954	694,954
	237,942	98,838	1,523,810	1,860,590

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	577,481
Financial liabilities included in other payables and accruals	341,999
Interest-bearing bank and other borrowings	95,629
	1,015,109

30 April 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI		
	Mandatorily	**Equity investments**	**Financial assets at amortised cost**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through OCI	—	93,094	—	93,094
Financial assets at fair value through profit or loss	417,358	—	—	417,358
Long-term bank deposits	—	—	500,698	500,698
Trade receivables	—	—	130,228	130,228
Financial assets included in prepayments, other receivables and other assets	—	—	89,984	89,984
Restricted cash	—	—	45,639	45,639
Cash and bank balances	—	—	623,148	623,148
	417,358	93,094	1,389,697	1,900,149

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	195,686
Financial liabilities included in other payables and accruals	300,545
Interest-bearing bank and other borrowings	105,676
	601,907

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair value of long-term bank deposits has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of long-term bank deposits approximate to their fair values.

The Group invests in unlisted investments, which represent unlisted convertible redeemable preferred shares and wealth management products issued by banks in Mainland China. The fair value of the convertible redeemable preferred shares is established by using valuation techniques. These techniques include backsolve from most recent transaction price and option pricing models. The Group has estimated the fair value of wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

For the fair value of the unlisted equity investments at fair value through OCI, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020, 2021 and 2022 and 30 April 2023:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted equity investment at fair value through OCI	Recent transaction price	Recent transaction price	31 December 2021 and 2020: N/A	N/A
	Valuation multiples	Average P/S multiple of peers	31 December 2022: 1.06 to 3.98	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB4,941,900
			30 April 2023: 1.04 to 3.46	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB4,654,700
		Discount for lack of marketability	31 December 2022: 20.6%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB1,282,200
			30 April 2023: 20.6%	5% increase/decrease in discount would result in increase/decrease in fair value by RMB1,207,600

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss-unlisted convertible redeemable preferred shares	Recent transaction price	Recent transaction price	31 December 2021: N/A	N/A
	Option pricing model	Volatility	31 December 2022: 46.87%-50.98%	5% increase/decrease in volatility would result in decrease/increase in fair value by RMB25,000/ RMB161,000
			30 April 2023: 51.25%-51.53%	5% increase/decrease in multiple would result in decrease/ increase in fair value by RMB247,000/ RMB2,101,000
		Risk-free interest rate	31 December 2022: 3.89%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB210,000/ RMB59,000
			30 April 2023: 3.57%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB57,100/RMB57,700

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Equity investments designated at fair value through OCI	—	—	6,250	6,250
As at 31 December 2021				
Equity investments designated at fair value through OCI	—	—	95,750	95,750
Financial assets at fair value through profit or loss	—	200,334	129,708	330,042
	—	200,334	225,458	425,792

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022				
Equity investments designated at fair value through OCI	—	—	98,838	98,838
Financial assets at fair value through profit or loss	—	50,067	187,875	237,942
	—	50,067	286,713	336,780
As at 30 April 2023				
Equity investments designated at fair value through OCI	—	—	93,094	93,094
Financial assets at fair value through profit or loss	—	210,257	207,101	417,358
	—	210,257	300,195	510,452

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	31 December 2020	31 December 2021	31 December 2022	30 April 2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
At the beginning of year/period	—	—	129,708	187,875
Purchases	—	129,708	—	—
Total gains recognised in the consolidated statements of profit or loss included in other income and gains, net	—	—	58,167	19,226
At end of year/period	—	129,708	187,875	207,101
Equity investments at fair value through OCI				
At the beginning of year/period	—	6,250	95,750	98,838
Purchases	6,250	87,500	—	—
Total gains/(losses) recognised in OCI	—	2,000	11,838	(5,744)
Transfer-out upon obtaining control through business combination	—	—	(8,750)	—
At end of year/period	6,250	95,750	98,838	93,094

The Group did not have any financial liabilities measured at fair value during the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other interest-bearing borrowings, long-term bank deposits and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's major businesses are carried out in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group does not have material foreign currency risk during the Relevant Periods.

Interest rate risk

The Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances, long-term bank deposits and interest-bearing bank and other borrowings is not significant as most of them are at fixed interest rate.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year/period-end staging as at 31 December 2020, 2021, 2022 and 30 April 2023

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2020, 2021, 2022 and 30 April 2023. The amounts presented are gross carrying amounts for financial assets.

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets					
— Normal**	67,644	—	—	—	67,644
Restricted cash					
— Not yet past due	27,123	—	—	—	27,123
Cash and bank balances					
— Not yet past due	100,821	—	—	—	100,821
	195,588	—	—	—	195,588

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	15,316	15,316
Financial assets included in prepayments, other receivables and other assets					
— Normal**	81,148	—	—	—	81,148
Long-term bank deposits					
— Not yet past due	181,223	—	—	—	181,223
Restricted cash					
— Not yet past due	33,474	—	—	—	33,474
Cash and bank balances					
— Not yet past due	627,573	—	—	—	627,573
	923,418	—	—	15,316	938,734

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	139,335	139,335
Financial assets included in prepayments, other receivables and other assets					
— Normal**	126,159	—	—	—	126,159
Long-term bank deposits					
— Not yet past due	526,208	—	—	—	526,208
Restricted cash					
— Not yet past due	42,164	—	—	—	42,164
Cash and bank balances					
— Not yet past due	694,954	—	—	—	694,954
	1,389,485	—	—	139,335	1,528,820

30 April 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	141,700	141,700
Financial assets included in prepayments, other receivables and other assets					
— Normal**	89,984	—	—	—	89,984
Long-term bank deposits					
— Not yet past due	500,698	—	—	—	500,698
Restricted cash					
— Not yet past due	45,639	—	—	—	45,639
Cash and bank balances					
— Not yet past due	623,148	—	—	—	623,148
	1,259,469	—	—	141,700	1,401,169

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors and maintains a level of cash and bank balances deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at 31 December 2020, 2021 and 2022 and 30 April 2023, based on the contractual undiscounted payments, is as follows:

31 December 2020	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	97,405	—	97,405
Financial liabilities included in other payables and accruals	154,267	—	154,267
Interest-bearing bank and other borrowings	89,417	—	89,417
Lease liabilities	15,256	17,707	32,963
	356,345	17,707	374,052

31 December 2021	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	180,993	—	180,993
Financial liabilities included in other payables and accruals	207,897	—	207,897
Lease liabilities	21,411	21,031	42,442
	410,301	21,031	431,332

31 December 2022	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	577,481	—	577,481
Financial liabilities included in other payables and accruals	341,999	—	341,999
Interest-bearing bank and other borrowings	96,448	226	96,674
Lease liabilities	21,376	19,894	41,270
	1,037,304	20,120	1,057,424

30 April 2023	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	195,686	—	195,686
Financial liabilities included in other payables and accruals	300,545	—	300,545
Interest-bearing bank and other borrowings	98,398	11,021	109,419
Lease liabilities	24,728	18,705	43,433
	619,357	29,726	649,083

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023.

The Group monitors capital using a gearing ratio, which is debt divided by the adjusted capital plus debt. Debt includes interest-bearing borrowings and lease liabilities. Capital includes equity attributable to owners of the parent. The gearing ratios as at 31 December 2020, 2021 and 2022 and 30 April 2023 were as follows:

	2020	**2021**	**2022**	**30 April 2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	88,244	—	95,629	105,676
Lease liabilities	30,951	40,807	39,153	40,565
Debt	119,195	40,807	134,782	146,241
Equity attributable to owners of the parent	670,379	2,089,222	2,594,448	2,700,514
Gearing ratio	15.1%	1.9%	4.9%	5.1%

43. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

As at 31 December 2020, 2021 and 2022 and 30 April 2023, amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of balances with subsidiaries approximate their fair values and are denominated in RMB.

44. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods that require additional disclosure or adjustments.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 30 April 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as of 30 April 2023 as if the Global Offering had taken place on 30 April 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as at 30 April 2023 or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets as at 30 April 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 April 2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$5.98 per Share	2,502,108	327,251	2,829,359	1.03	1.12

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2023 was equal to the consolidated net assets attributable to owners of the Company as at 30 April 2023 of RMB2,700,514,000 after deducting of goodwill and other intangible assets of RMB198,406,000 set out in the Accountants' Report in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the offer price of HK$5.98 per Share after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB22,787,000 which have been charged to profit or loss during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 2,738,802,800 Shares are in issue assuming the Global Offering had been completed on 30 April 2023, without taking into account of any shares which may be allotted and issued upon the exercise of the Over-allotment Option.

4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1 to HK$1.0893. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2023.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

Ernst & Young
6/F, Oxford House
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊濠豐大廈 6樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the Directors of Guoquan Food (Shanghai) Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Guoquan Food (Shanghai) Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 April 2023 and related notes as set out on page II-1 of the prospectus dated 20 October 2023 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 30 April 2023 as if the transaction had taken place at 30 April 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 April 2023, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

20 October 2023

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special provisions. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "IIT Law"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investor

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the "CIT Law"), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the State Administration of Taxation (the "SAT") on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "the Arrangement"), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "Circular 36"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

Income tax

Individual Investors

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, SAT and China Securities Regulatory Commission jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the CIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》), which was issued on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The State Administration of Foreign Exchange (the "SAFE"), with the authorization of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regime regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination by the competent foreign exchange authorities of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the competent foreign exchange authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the competent foreign exchange authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, regulates the existing regulatory measures on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

In accordance with the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular No. 21**"), which was promulgated on 10 May, 2013 with effect from 13 May 2013, amended on 10 October, 2018 and partially abolished on 30 December, 2019. The SAFE Circular No. 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular No. 19**"), promulgated on 30 March, 2015, coming effective on 1 June, 2015, partially abolished on 30 December, 2019, and latest amended on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been onlent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On 23 October, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular No. 28**"), which became effective on the same date. The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法(2023年修訂)》) (the "**Legislation Law**"), the National People's Congress of the People's Republic of China or the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The NPC can authorize the Standing Committee of the NPC to formulate relevant laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council and the organs prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization development, historical and cultural protection and grassroots governance based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations, separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2021 revision) (《中華人民共和國民事訴訟法(2021年修訂)》) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012, 2017 and 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;

- Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "**Trial Measures**") which were promulgated by the China Securities Regulatory Commission (the "CSRC") on February 17, 2023, came into effect on March 31, 2023, applicable to the overseas share subscription and listing of joint stock limited companies.

Set out below is a summary of the major provisions of the Company Law, Trial Measures applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

Under the Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval or filing of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;

- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;

- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;

- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the set-up of internal management organisation of the company;
- to decide on appointment or dismissal of company managers and their remuneration, and decide on appointment or dismissal of deputy managers and finance controller of the company based on the nomination by the managers;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;

- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法》(2019年修訂)) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000, and Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》), which promulgated on December 26, 2020. In accordance with these arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (the "HKSFC") jointly issued the Announcement of Launching the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (《關於開展滬港股票市場交易互聯互通機制試點的公告》), stipulated the principal that should be followed when such pilot program is expected to be implemented, and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (the "Shanghai-Hong Kong Stock Connect") by the Shanghai Stock Exchange (the "SSE"), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (the "CSDCC") and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

Shenzhen-Hong Kong Stock Connect

The Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) (the "SZHK Stock Connect Taxation Policy") jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on November 5, 2016, and became effective on December 5, 2016, clearly sets forth taxation policy involved in the pilot inter-connected mechanism for trading via Shanghai-Hong Kong Stock Connect.

According to SZHK Stock Connect Taxation Policy, business tax will be exempted during the pilot period of transforming business tax to value-added tax on spread income derived from dealing in shares listed on the Hong Kong Stock Exchange by mainland individual investors through SZHK Stock Connect. For dividends and bonus received by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange via SZHK Stock Connect, individual income tax shall be withheld and paid by the H share listed company at the rate of 20%.Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the valid tax credit document.

Pursuant to the SZHK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in its total income) derived from investment by mainland corporate investors in shares listed on the Hong Kong Stock Exchange through SZHK Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors, and the tax payable shall be declared and paid by the enterprises themselves.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, shall be incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from January 1, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix is mainly providing investors with an overview on the Articles of Association of the Company. The following information is only a summary, not covering all the information that may be material to investors.

SHARES AND REGISTERED CAPITAL

The issuance of the shares of the Company shall be conducted in the principle of openness, fairness and justness, and each share of the same class shall be entitled to equal rights. For shares issued at the same time and within the same class, it shall be issued in the same conditions and price; and any entity or person to subscribe the shares shall pay the same price for each share.

Upon file with the CSRC, the Company may issue shares to both domestic investors and foreign investors.

INCREASE/DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase/Decrease of Shares

Subject to the provisions of laws, regulations and the Articles of Association, upon separate resolutions by a shareholders' general meeting, the Company may increase its registered capital on the basis of its business and development needs by any of the following means:

(I) public offering of shares;

(II) non-public offering of shares;

(III) distributing bonus shares to existing shareholders;

(IV) converting the reserved funds into share capital;

(V) other means approved by laws, administrative regulations and the relevant regulatory authorities. Upon the approval in accordance with the provisions of the Articles of Association, the increase of the Company's capital by issuing new shares shall be proceeded in compliance with relevant national laws and administrative regulations.

To reduce its registered capital, the Company shall prepare the balance sheet and the inventory of properties. Within 10 days from the resolution of capital reduction, the Company shall notify the creditors, and shall make a public announcement on newspapers within 30 days. Creditors, within 30 days from receiving such notice, or within 45 days from the public announcement if no notice has been received, may require the Company to repay up the debts or provide corresponding guarantees for the debts.

Repurchase of Shares

The company may not repurchase its shares. However, except in one of the following circumstances:

(I) cancelling its shares for the purpose of reducing the registered capital of the Company;

(II) merging with another company holding shares of the Company;

(III) using shares for employees stock ownership plan or equity incentives;

(IV) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company and request the Company to acquire their shares;

(V) using shares for converting corporate bonds issued by the Company;

(VI) as required for the Company to maintain corporate value and shareholders' interests;

(VII) other circumstances approved by laws, administrative regulations and regulatory authorities.

A resolution of a shareholders' general meeting is required for repurchasing shares under circumstances (I) or (II) above. A resolution of a meeting of the board of directors with a quorum of more than two-thirds of directors is required for repurchasing shares under circumstances (III), (V) or (VI) above. Regarding the shares not reversed into overseas listed shares, the shares acquired under the above circumstance (I), shall be de-registered within 10 days from the date of repurchase; the shares acquired under the above circumstances (II) or (IV), shall be transferred or de-registered within 6 months; and the shares acquired under the above circumstances (III), (IV) or (VI), shall be transferred or de-registered within 3 years, and the shares held in total by the Company shall not exceed 10% of total shares issued by the Company. For any repurchase in above circumstances (III), (V) or (VI), centralized trading shall be adopted publicly. Upon lawful de-registration of repurchased shares, the Company shall apply for registration of changes in registered capital with original business registration authority and make announcement accordingly.

The aggregate par value of de-registered shares shall be deducted from the registered capital of the Company. If it is otherwise provided in laws, regulations and local securities regulatory authority at the place where the Company's shares are listed regarding the relevant events in respect of repurchase of the shares, such other requirements shall prevail.

Transfer of Shares

The shares of the Company may be transferred.

The shares of the Company held by a promoter shall not be transferred within 1 year from the date of the establishment of the Company. The shares issued by the Company before public offering shall not be transferred within 1 year from the date on which the Company's shares are listed on stock exchange.

The directors, supervisors and senior management of the Company shall report their shareholding in the Company and changes thereof to the Company, and during their tenure, the shares transferred each year shall not exceed 25% of the total Company shares held by them; the Company shares held by them shall not be transferred within 1 year from the date when the shares of the Company are listed and traded; within half a year from departure from the Company, the aforesaid persons shall not transfer the Company shares held by them. If the restrictions on transfer of overseas listed shares are otherwise required by the Listing Rules of the place where the Company's shares are listed, such other requirements shall prevail.

All transfers of overseas listed foreign shares shall adopt the written transfer instrument in general or common format or any other form acceptable to the board of directors (including the standard transfer format or transfer form prescribed by HKEX from time to time); the written transfer documents shall be signed with signatures or (if the transferor of the transferee is a corporation) with seals. Where the transferor or transferee is a recognized clearing house as defined by relevant regulations in the laws of Hong Kong effective from time to time, or any of its agents, the transfer documents may be signed by hand or by machine printing. All transfer documents shall be kept at the legal address of the Company or other place designated by the Board from time to time.

SHAREHOLDERS AND GENERAL MEETING

Shareholders

Shareholders of the Company are persons who lawfully hold shares of the Company and whose names are entered in the register of shareholders. Shareholders enjoy rights and assume obligations in proportion to the class and numbers of shares they hold; shareholders who hold the same class of shares shall enjoy equal rights and assume the same obligations.

The shareholders of ordinary shares shall be entitled to the following rights:

(I) receiving dividends and other form of interest distribution in proportion to its shareholding;

(II) requiring, convening, chairing, attending by person or by proxy into a general meeting pursuant to the laws, and exercising the voting right at the meeting in proportion to its shareholding;

(III) supervising and managing, presenting suggestions on or making inquiries about the operation of the Company;

(IV) transferring, donating or pledging the shares held by them, in accordance with the laws, administrative regulations and the Articles of Association;

(V) accessing the Articles of Association, register of shareholders, counterfoils of corporate bonds, minutes of general meetings, resolutions of the Board of Directors, resolutions of the board of supervisors and financial and accounting reports:

(VI) participating in the distribution of residual assets of the Company in proportion to its shareholdings, upon termination or liquidation of the Company;

(VII) for shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company, requesting the Company to acquire its shares;

(VIII) for shareholder(s) who individually or jointly hold(s) 3% or above shares of the Company, having the right to propose extraordinary resolutions and submit in writing to the board of directors within 10 days before the convention of general meeting;

(IX) any other rights stipulated by laws, administrative regulations, departmental regulations or the Articles of Association.

In event any resolution by general meetings or the Board meeting violates the laws or administrative regulations, shareholders may request local people's court to invalidate such resolution. In event the convening or voting of general meetings or Board meeting violates the laws, administrative regulations or the Articles of Association, or any resolution violates the Articles of Association, shareholders may request local people's court to withdraw such resolution within 60 days from the date of resolution.

The shareholders of the Company's ordinary shares shall undertake the following obligations:

(I) abiding by laws, administrative regulations and the Articles of Association;

(II) making payment for shares subscribed according to the quantity of shares subscribed for and the manners of subscription;

(III) assuming liability to the Company to the extent of its shareholding;

(IV) not withdrawing shares, unless otherwise required by laws and regulations;

(V) not abusing shareholder's rights to harm the interests of the Company or other shareholders; not abusing the independent legal person status of the Company and the limited liability of shareholders to harm the interests of the Company's creditors; any shareholder who abuses shareholder's rights causing loss to the Company or other shareholders shall be liable for compensation pursuant to the laws. Any shareholder who abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely infringe upon the interests of the Company's creditors shall be held jointly and severally liable for the Company's debts;

(VI) any other obligations stipulated by laws, administrative regulations and the Articles of Association.

The controlling shareholder or actual controller of the Company shall not utilise its associated-party relationship against the interests of the Company, or else, shall compensate the Company for any loss incurred.

General Rules for General Meeting

The shareholders' general meeting is the organ of authority of the Company, and shall duly exercise following functions and powers:

(I) to determine the operating principles and investment plans of the Company;

(II) to elect and remove any director or supervisor not being employee representative, and to determine the remuneration of the relevant directors and supervisors;

(III) to review and approve the reports of the board of directors;

(IV) to review and approve the reports of the board of supervisors;

(V) to review and approve the Company's annual financial budgets and final accounts;

(VI) to review and approve the Company's profit distribution plans and loss recovery plans;

(VII) to resolve on the Company's increase/decrease of registered capital;

(VIII) to resolve on the Company's issuance of bonds or any class of shares, warrants and other similar securities, as well as listing;

(IX) to resolve on the Company's merger, division, dissolution, liquidation or change of its corporate form among other matters;

(X) to modify the Articles of Association;

(XI) to review and approve the motions proposed by shareholder(s) individually or jointly holding at least 3% voting shares of the Company;

(XII) to decide on the engagement, dismissal or discontinuation of the appointment of the accounting firm;

(XIII) to review and approve external guarantees which shall be approved by shareholders' general meeting;

(XIV) to review and approve the Company's purchase or disposals of material assets or provision of guarantees within 1 year and the accumulated amount of which is exceeding 30% of latest audited total assets of the Company;

(XV) to review and approve the equity incentive plans at corporate level;

(XVI) other matters to be decided by general meeting under the laws, administrative regulations and the Articles of Association;

(XVII) other matters required by the Listing Rules of the stock exchange in the place where the Company's shares are listed.

Without violating laws and regulations as well as the statutory requirements of local laws and regulations in the place of listing, the general meeting may authorise or appoint the Board of Directors to act on its behalf, including but not limited to the following at General Meeting:

1. Subject to applicable laws, regulations and Listing Rules, upon approval by a special resolution at general meeting, granting a general mandate for the Board of Directors to issue, allot and treat additional overseas listed foreign shares, in the quantity not more than 20% (or even lower percentage required by applicable laws, regulations or Listing Rules) of overseas listed foreign shares issued as of the date of the general meeting, and authorising the Board of Directors to modify the Articles of Association as it deems appropriate, to reflect the new capital structure upon allotment or issuance of shares;

2. Authorising the Board of Directors to decide on the specific terms and related matters on the issuance of domestic short-term financing bonds, mid-term notes, corporate bonds, overseas US dollar bonds and other debt financing instruments, to the extent of issuable bonds, according to the demands of production, operation and

capital expenditure as well as market conditions, including but not limited to, the determination of the amount, rate, term, subjects, fund purpose of the actually issued bonds within foregoing range, as well as the production, signing and disclosure of all necessary documents.

The following external guarantees of the Company shall be considered and approved by the general meeting:

(I) any guarantee provided after the total amount of external guarantees by the Company and its holding subsidiaries exceeds 50% of the latest audited net assets;

(II) any guarantee provided after the total amount of external guarantees by the Company exceeds 30% of the latest audited total assets;

(III) any guarantee by the Company within one year with guaranteed amount in excess of 30% of the latest audited total assets of the Company;

(IV) any guarantee provided for a target party whose asset-liability ratio is over 70%;

(V) any guarantee with a single guaranteed amount in excess of 10% of the latest audited net assets;

(VI) any guarantee provided to shareholders, actual controllers and their related parties.

Without prior approval by the general meeting, the Company shall not enter into a contract with any person (other than Director, Supervisor, General manager or other senior management members), to handover of the administration of all or important businesses of the Company to such person.

There are two types of general meetings: annual general meeting and extraordinary general meeting. The annual general meeting shall be convened once a year, and be held within 6 months from the end of last accounting year.

The extraordinary general meeting shall be convened when necessary. The Board of Directors shall hold extraordinary general meeting within 2 months from the date of occurrence of any of the following events:

(I) the number of directors is less than the quorum required by the Company Law, or less than two-thirds of the quorum required by the Articles of Association;

(II) the outstanding losses of the Company accounts for one-third of the Company's total paid-in share capital ;

(III) shareholder(s) individually or jointly holding at least 10% shares of the Company send(s) a written request for meeting;

(IV) the Board of Directors deems necessary, or the Board of Supervisors proposes to convene the meeting;

(V) two or more Independent Directors propose to convene the meeting;

(VI) other circumstances under the laws, administrative regulations, departmental regulations, the Listing Rules of the stock exchange in the place where the Company's shares are listed, or the Articles of Association.

In such events (III), (IV) or (V), the meeting objects proposed by the convener shall be included in the agenda of meeting.

Convening of General Meetings

Shareholders requesting the convening of an extraordinary general meeting shall proceed in following procedures:

(I) Shareholder(s) individually or jointly holding 10% or more of the shares of the Company may sign one or more copies of written request in the same form and substance, and submit to the Board of Directors to convene an extraordinary general meeting, specifying the topics of meeting. The Board of Directors shall give a written response as to whether or not it agrees to convene such an extraordinary general meeting within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and the Articles of Association. The foregoing shareholding percentage shall be calculated as of the date on which the written request is/are made by shareholders on which the written requisition(s) is/are made by shareholders.

(II) If the Board does not agree to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of the request, the shareholder(s) individually or collectively holding 10% or more of the shares of the Company shall have the right to propose to the board of supervisors to convene the extraordinary general meeting. Such request shall be made to the board of supervisors in writing.

(III) If the board of supervisors agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant shareholders. If the board of supervisors fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the board of supervisors not convening and presiding over the general meeting, and the shareholder(s) individually or collectively holding 10% or more of the shares of the Company for 90 consecutive days or longer period may convene and preside over the meeting by himself/herself/themselves.

In event of shareholder(s) convening and holding a general meeting on its/their own due to the failure of the Board of Directors or the Board of Supervisors to convene the meeting according to the above requirements, the reasonable expenses incurred for such meeting shall be borne by the Company, and deducted from the amounts owed by the Company to the negligent Director(s) or Supervisor(s).

The Chairman of the Board of Directors shall convene and act as the chairman of a general meeting. When the Chairman is unable or fails to perform its duties, the Board of Directors may appoint a company Director to convene the meeting and serve as the chairman of the meeting; if the Board of Directors fails to appoint such chairman, the shareholders present at the meeting may elect one person to act as the chairman of the meeting; if for any reason a chairman cannot be elected from present shareholders, the shareholder (including proxy) holding the largest number of voting shares among the attending shareholders shall be the chairman of the meeting.

Notice of General Meeting

To hold annual general meeting, the Company shall send a written notice 20 business days before meeting (exclusive of the date of notice and the date of meeting), and notify all registered shareholders of the topics, date and venue of the meeting, in the form of announcement. To hold extraordinary general meeting, the Company shall send a written notice to all registered shareholders 15 calendar days or 10 business days (whichever is longer) before meeting (exclusive of the date of notice and the date of meeting), in the form of announcement.

The notice of general meeting shall:

(I) be made in writing;

(II) specify the time, date and venue of meeting;

(III) state the matters to be discussed at the meeting;

(IV) provide information and explanations necessary for shareholders to make informed decisions on the matters to be discussed; this means (including but not limited to), providing the specific conditions and contract (if any) of contemplated transactions and detailed explanations on the cause and outcome, when the Company proposes merger, share repurchase, capital restructuring or other reorganisation;

(V) contain the full text of any proposed special resolution to be voted on at the meeting;

(VI) contain a written state that clearly indicates that any shareholder who has the right to attend and vote at the meeting is entitled to appoint one proxy or more to attend and vote at the meeting on its behalf, and such proxy does not need to be a shareholder of the Company;

(VII) state the time and address of delivery of the power of attorney for the voting proxy.

Any meeting or any resolution of meeting shall not be invalidated by the failure of arrival of the notice of meeting at the person(s) entitled to receive the notice due to accidental omission.

Proposal of General Meeting

When the Company convenes a general meeting, the shareholder(s) individually or jointly holding 3% or more of voting shares of the Company may shall be entitled to put forward new proposals in writing to the Company and submit them to the convener 10 days before the general meeting, and the convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after receiving such proposal, and incorporate any topic within the terms of reference of the general meeting into the agenda of the meeting, to be considered at the general meeting.

Appointment of General Meeting

Shareholders have the right to (1) speak at the general meeting, and (2) vote at the general meeting, except individual shareholder waives its voting rights in respect of individual matter under the Main Board Listing Rules. Any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or more persons (who may or may not be shareholder of the Company) as his/her/its proxy to attend and vote on his/her/its behalf. Such a proxy is entitled to exercise the following rights pursuant to the appointment of the shareholder:

(I) speak at the general meeting;

(II) demand a poll independently or jointly with others;

(III) exercise the voting rights by hand or on a poll, provided that when there are more than one proxy has been appointed, such proxies may only exercise such voting rights by a poll;

A shareholder may appoint a proxy in writing, and the appointing shareholder or his/her attorney proxy shall sign a proxy form in writing; if the appointing shareholder is a corporate entity, such appointment shall be signed by its duly authorised representative.

The proxy form shall be deposited to the domicile of the Company or other place specified in the notice of meeting before the relevant meeting at which the proxy is authorized to vote, or before the specified time of voting. Where the proxy form is signed by the duly authorised representative of the appointing shareholder (being corporate entity), the power of attorney or other documents of authorisation shall be certified. The certified power of attorney or other documents of authorisation shall be deposited together with the proxy form to the domicile of the Company or other place specified in the notice of meeting.

The legal representative, or the person authorised by the Board of Directors or other decision-making body of the appointing shareholder (being corporate entity) will attend and vote at the general meeting, on behalf of such appointing shareholder. Presence of such a proxy at any meeting will be deemed as presence of the appointing shareholder per se.

A shareholder being a recognised clearing house (or its agent) may appoint one person or more, it deems appropriate, as its proxy to attend and vote at any general meeting on its behalf; provided that, if more than one person is so appointed, the power of attorney shall contain the number and class of shares involved by every such person so appointed. Any so appointed person may attend and exercise rights at the meeting on behalf of the recognised clearing house (or its agent), without presentation of share certificate, certified authorisation and/or further evidence of official authorisation as if the person is an individual shareholder of the Company, as if said person were a personal shareholder of the Company. The duly authorised representative of a recognised clearing house may enjoy the same legal rights as other shareholders, including the rights to speak and vote.

The format of any power of attorney issued by the Board of Directors for every shareholder to appoint its proxy shall provide the shareholder with the flexibility to instruct its proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting.

Such power of attorney shall specify that the proxy may vote at his/her own discretion in absence of directives from the shareholder.

If the appointing shareholder was deceased, incapacitated, or its appointment or authorisation was withdrawn, or relevant shares were transferred before voting, the vote made by the proxy so appointed shall be still valid, as long as the Company did not receive a notice in writing of such event before meeting.

Resolutions of General Meeting

There are two kinds of resolutions made at general meeting, namely: ordinary resolutions and special resolutions. Ordinary resolutions shall be approved by more than half of voting rights held by the shareholders (including proxies) attending the general meeting. Special resolutions shall be approved by above two-thirds of the voting rights held by shareholders (including proxies) attending the general meeting.

A shareholder or proxy shall exercise its voting rights pertaining to the voting shares held by it when voting at general meeting, and each share shall have one vote. However, there is no voting rights attached to the shares held by the Company, and such portion of shares are neither included in the total number of shares with voting rights of the shareholders who are present at general meeting, nor deposited into the central clearing and settlement system.

When the matters of connected transactions are considered at general meeting, if required by the applicable laws, regulations or the Listing Rules of the local stock exchange in the place where the Company' shares are listed, connected shareholders shall not vote, and the number of voting shares held by it shall not be included in the total number of valid votes. The announcement on resolution of general meeting shall fully disclose the voting results of non-connected shareholders.

Under applicable laws, regulations and the HKEX Listing Rules, if any shareholder is required to waive its voting rights in respect of a certain motion, or any shareholder is restricted to vote for or against a certain motion, the votes of such shareholder or its proxy shall not be counted in event such requirement or restriction is violated.

The following matters shall be approved by ordinary resolution at general meeting:

(I) the work report of the Board of Directors or the Board of Supervisors;

(II) the profit distribution plan and plan for covering losses formulated by the Board of Directors;

(III) the appointment and dismissal of members of the Board of Directors and the Board of Supervisors, and their remunerations and the method of payment thereof;

(IV) the annual budget and final accounts report of the Company;

(V) annual report of the Company;

(VI) other matters than those to be passed as special resolution under the laws, regulations or the Articles of Association.

The following matters shall be approved by special resolution at general meeting:

(I) the increase or decrease of the registered capital of the Company;

(II) the division, spin-off, merger, dissolution and liquidation of the Company;

(III) the purchase, disposals of material assets or provision of guarantees accumulated within one year in the amount exceeding 30% of latest audited total assets of the Company;

(IV) equity incentive plan;

(V) the amendment to the Articles of Association;

(VI) any other matters considered and passed as ordinary resolution at general meeting to be of substantial impact on the Company, and required to be approved by a special resolution, under the laws, regulations or the Articles of Association or as required by the HKEX Listing Rules.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at general meeting, for a tenure of 3 years. Upon the expiration of his tenure, a Director may be re-elected and serve consecutive terms.

The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board of Directors. If a Director's tenure expires but an alternate Director is not elected in time, then before the alternate Director holds office, the original Director shall still perform the duties as Director, in accordance with laws, administrative regulations, departmental regulations and the Articles of Association.

A Director may propose resignation before expiry of tenure, by filing a resignation report in writing to the Board of Directors. If the resignation of a Director causes the number of board members to be less than the quorum, then the original Director shall still perform the duties as Director under the laws, administrative regulations, departmental regulations and the Articles of Association. Otherwise, a Director's resignation shall be effective from the time such resignation report is delivered to the Board of Directors.

Subject to the local laws, regulations and regulatory rules in the place of listing, in event the Board of Directors appoints a new Director to fill up the vacancy or expand the list of Directors, then the tenure of so appointed Director shall count only to the date of next annual general meeting of the Company, when the so appointed Director shall be eligible for re-election.

The Company sets up Independent Directors. At least 1/3 members of the Board of Directors shall be Independent Directors, of whom, at least one is an accounting professional. The Independent Directors shall perform duties faithfully, for the benefits of the Company, and in particular shall protect the legal interests and benefits of ordinary shareholders, and ensure the interests of entire shareholders are fully represented.

There shall be at least 1/3 or three members of the Board of Directors being Independent Directors. The Company shall supplement the list of Independent Directors when the number of Independent Directors is below the requirement of the Articles of Association, in event any Independent Director fails to meet the independence conditions or finds it inappropriate to perform the duties as Independent Director.

A Director is not required to hold any shares of the Company.

Chairman

The Board of Directors shall have one chairman, who shall be elected or removed by more than half of Directors, and serve a tenure of 3 years. Upon the expiration of tenure, the Chairman may be re-elected.

The chairman of the Board of Directors shall exercise the following powers and functions:

(I) presiding over shareholders' general meetings, convening and presiding over Board meetings;

(II) supervising and inspecting the implementation of resolutions of the Board of Directors;

(III) other duties under the laws, regulations or the Articles of Association, or granted by the Board of Directors.

Where the Chairman is incapable of performing its duties, a Director elected jointly by more than half of Directors shall perform such duties.

Board of Directors

The Company sets up the Board of Directors, composed of 11 Directors, including 4 Independent Directors, and 1 Chairman.

The Board of Directors shall be responsible to the general meetings and exercise the following functions and powers:

(I) convening the general meeting and submitting work reports to the general meetings;

(II) implementing resolutions of the general meetings;

(III) determining the operating plans and investment schemes of the Company;

(IV) formulating the annual budget plan and final accounts plan of the Company;

(V) formulating the profit distribution plan and loss makeup plan of the Company;

(VI) formulating the Company's plans for increase/decrease of the registered capital increase/decrease, issuance of corporate bonds or other securities, or listing;

(VII) contemplating the plans for major acquisitions of the Company, the acquisition of shares of the Company, or merger, division, dissolution or change of form of the Company;

(VIII) deciding on the setup of internal management bodies of the Company;

(XI) appointing or dismissing the general manager, secretary; appointing or dismissing the deputy general manager, CFO or other senior management of the Company as nominated by the general manager;

(X) deciding on the remuneration of foregoing executives;

(XI) formulating the fundamental management systems of the Company;

(XII) formulating the modification plan of the Articles of Association;

(XIII) deciding on the Company's external investment, acquisition and disposal of assets, asset mortgage, external guarantees, entrusted wealth management, connected transactions, external donations and other matters within the scope of authorization by the general meeting;

(XIV) managing the information disclosure under the laws, regulations, the HKEX Listing Rules and internal regulations of the Company;

(XV) proposing the appointment or replacement of the accounting firm that performs audits for the Company at the general meeting;

(XVI) receiving the work report of the Company's general manager and review the work of the general manager;

(XVII) deciding on other important issues of the Company, other than the motions to be considered at the general meeting General Meeting under the Company Law and the Articles of Association;

(XVIII) any other functions and powers granted by the laws, regulations, the HKEX Listing Rules, the Articles of Association or the General Meeting.

Resolutions concerning any of the above matters (VI), (VII) or (XII) may be passed by the affirmative vote of more than two-thirds of Directors, while a resolution concerning any of the remaining matters may be passed by the affirmative vote of a more than half of the directors.

The Board of Directors shall explain to General Meeting about the Auditor's Report with standard opinions issued by the CPA firm against the financial statements of the Company.

To dispose of fixed assets, if the sum of the expected value of fixed assets to be disposed of and the value of proceeds on disposal of fixed assets over the past 4 months preceding such proposal for disposal exceeds 33% of the value of fixed assets presented in the balance sheet reviewed at a shareholders' general meeting recently, then the Board of Directors shall not dispose or agree to dispose of such fixed assets, without prior consent of the general meeting.

The Board of Directors may hold two kinds of meetings, namely: regular meetings and interim meetings. The Board shall hold at least 4 meetings per year, convened by the Chairman. Entire Directors shall be notified in writing of a regular meeting at least 14 days before meeting.

In any of the following events, the Chairman shall convene an interim meeting within 10 days from the receipt of the proposal:

(I) when shareholders representing at least 1/10 voting rights propose;

(II) when at least 1/3 Directors jointly propose;

(III) when the Chairman proposes;

(IV) when at least 1/2 Independent Directors propose;

(V) when the Board of Supervisors proposes.

The notice of regular meeting or interim meeting shall be sent in writing to entire directors, supervisors and general manager at least 14 days prior to the date of regular meetings, or 3 days prior to the date of interim meetings, by person, or through facsimile, courier, or other electronic communication means. For the notice not sent by person, a telephone confirmation shall be made together with a record.

In emergency requiring the Board of Directors to hold an interim meeting as soon as possible, the notice of meeting may be given by telephone or other oral means, provided that the convener shall explain at the meeting.

A meeting of the board of directors may not be held without more than half of directors being present. To determine whether a quorum of meeting exists, any Director who has material interest in any contract, transaction or arrangement shall not be counted.

Every Director may cast one vote. A motion at the meeting of the board of directors may be passed as resolution by a simple majority of entire directors unless otherwise required by the laws, administrative regulations and the Articles of Association, and any Director materially interested in any relating contract, transaction or arrangement shall abstain from voting.

Where there is an equality of votes cast both for and against a resolution, the chairman shall have the right to cast one more vote.

Directors shall attend Board meetings in person. A Director who is unable to attend a meeting for any reason shall appoint another Director to attend a Board meeting on its behalf in writing, provided that the power of attorney shall contain the scope of authorization. The appointed Director shall exercise the rights as Director within the scope of authorization. The failure of a Director to attend a Board meeting in person or by proxy shall be deemed as forfeiting his/her voting rights at such meeting.

Special Committees under the Board of Directors

There are audit committee, nomination committee, remuneration and examination committee under the Board of Directors. The duties, composition and proceeding rules of such committees shall be negotiated separately by the Board of Directors. The Board of Directors may set up other committees on demand. Special committees are specialised work bodies under the Board of Directors, to provide advice or suggestions for the Board of Directors to make important decisions. None of the committees shall make any resolution in the name of the Board of Directors but may exercise the decision-making right on the authorized matters under the special authorization from the Board of Directors.

Secretary of the Board of Directors

The Company shall appoint one secretary to the Board of Directors, who shall be a member of senior management of the Company.

The Secretary of the board of directors shall be a natural person with requisite professional knowledge and experience, and shall be appointed or dismissed by the Board of Directors, with the duties to:

(I) ensure that Company has complete constituent archives and records; maintain and manage the information of shareholders; assist Directors in the ordinary course of the Board of Directors'

(II) ensure that the Company lawfully prepares and files the reports and documents required by the competent authorities;

(III) organise and prepare for Board meetings and general meetings, prepare meeting materials, arrange relevant meeting affairs, take minutes of meetings, ensure the accuracy of such minutes, make and preserve meeting documents and records, and actively grasp the implementation of relevant resolutions. To report and make proposals to the Board of Directors regarding the important issues in the implementation of the resolutions;

(IV) act as the contact between the Company and the securities regulatory authorities, organise, prepare for and timely submit to the regulatory authorities all necessary reports and files, receive relevant tasks assigned by the regulatory authorities and organise the accomplishment of such tasks;

(V) coordinate and organise issues related to information disclosure, establish a healthy and complete system of information disclosure, participate in all meetings relating to information disclosure of the Company, and timely be aware of important operating decisions and related information and materials of the Company;

(VI) ensure the proper establishment of share register, and ensure the persons entitled to access relevant corporate records and files are able to acquire such records and documents promptly;

(VII) perform other duties granted by the Board of Directors, and other duties required by the laws, regulations and the local stock exchange in the place where the Company shares are listed.

A Director or other member of senior management may concurrently serve as Secretary to the Board of Directors. An accountant of the CPA firm engaged by the Company and a manager of the controlling shareholder shall not concurrently serve as Secretary to the Board of Directors. Where the office of the secretary of the Board of Directors is concurrently held by a director of the Company, for an act which is required to be made by a director and the secretary to the Board of Directors separately, then such person shall not perform the act in dual capacity.

General Manager and Other Senior Management

The Company shall have one General Manager and several Deputy General Managers who shall be appointed or dismissed by the Board of Directors. The Company shall have one Chief Financial Officer, one Secretary, and several other Senior Management who shall be appointed or dismissed by the Board of Directors upon recommendation by the general manager.

A director may concurrently be the General Manager, Deputy General Manager, Chief Financial Officer or other Senior Management. The term of office of the General Manager and other Senior Management shall be three years and they may be reappointed.

The General manager reports to the Board of Directors, and has the duties to:

(I) chair the production, operation and management of the Company, and report to the Board of Directors;

(II) organise the implementation of resolutions made at Board meetings, the annual operating plan and investing plan of the Company;

(III) contemplate and propose the annual budget plan and final accounts plan of the Company to the Board of Directors;

(IV) contemplate the fundamental management system and the internal management setup plan of the Company;

(V) formulate the specific rules and regulations of the Company;

(VI) propose to the Board of Directors the appointment or dismissal of the Deputy General manager, the CFO, or the Secretary to the Board of Directors;

(VII) appoint or dismiss a manager other than those who should be appointed or dismissed by the Board of Directors;

(VIII) propose to hold interim meetings of the Board of Directors;

(IX) decide on other matters of the Company within the scope authorized by the Board of Directors;

(X) decide on the investment, acquisition or disposal, financing among other projects other than those to be decided by the Board of Directors or the General Meeting;

(XI) other duties authorized by the Articles of Association or the Board of Directors;

Other members of senior management other than the general manager shall assist general manager in work and may exercise some of the general manager's powers and functions upon authorization by general manager.

The General manager shall preside at Board meetings, while he/she has no voting rights at the Board meetings if he/she is not a director.

The General Manager shall perform his/her duties diligently and faithfully in accordance with the laws, administrative regulations and the Articles of Association.

SUPERVISORS AND THE BOARD OF SUPERVISORS

Supervisors

The Board of Supervisors shall be composed of Supervisors who are either shareholder representatives or staff representatives. The staff's representative supervisors shall account for at least one third of entire Supervisors. The staff's representative supervisors shall be democratically elected at the Company's staff's representative meeting, the Employees' Meeting or by other means.

A Supervisor shall not be a Director or a member of senior management of the Company.

Board of Supervisors

The Board of Supervisors is composed of 3 Supervisors, one of whom acts as the Chairman. A supervisor shall serve a term of three years and may seek reelection upon the expiry of the said term. The appointment or dismissal of the Chairman is subject to the approval by at least 2/3 (inclusive) of the members of the Board of Supervisors through voting.

The Board of Supervisors reports to the General Meeting, and has the duties to:

(I) supervise any act of Directors, General manager, and other senior management in breach of laws, administration regulations, and the Articles of Association during performance of duties, and propose the dismissal of any Director or senior management who contravene the law, administration regulations, the Articles of Association, or the resolutions of General Meeting;

(II) require a Director or senior management to correct its act that has damaged the interests of the Company;

(III) check the finance of the Company;

(IV) collate the financial reports, operational reports and profit distribution plan among other financial information to be submitted from the Board of Directors to the General Meeting, and if any doubt is found, appoint a CPA or licensed auditor to help review such information under the name of the Company;

(V) propose an extraordinary general meeting, and when the Board of Directors fails to perform its duties to convene or hold the general meeting as required by the Company Law, convene or hold the general meeting;

(VI) submit proposals to the general meeting;

(VII) propose an interim Board meeting;

(VIII) communicate with a Director on behalf of the Company, or litigate against a Director or senior management in accordance with Article 151 of the Company Law;

(IX) other duties under the laws, administration regulations and the Articles of Association.

Resolutions of Board of Supervisors

The proceeding manner of the Board of Supervisors is as follows: One Supervisor can cast one vote, by means of open name or in writing.

A resolution at the Board of Supervisors shall be passed by at least 2/3 (inclusive) of the entire Board of Supervisors.

Eligibility and Obligations of Directors, Supervisors, and Senior Management

Any of the following persons shall not act as Director, Supervisor, General manager, or other senior management of the Company:

(I) who has no or limited civil capacity;

(II) who was sentenced for corruption, bribery, embezzlement or misappropriation of properties or destruction of the order of China's socialist market-oriented economy, and such sentence has expired for not more than 5 years; or who was deprived of political rights due to crime, and such deprivation has expired for not more than 5 years;

(III) who acted as director, factory manager, manager of a bankrupt or liquidated company or corporation, and personally liable for the bankruptcy of such company or corporation, and a three-year period has not elapsed since the completion of bankruptcy or liquidation of such company or corporation;

(IV) who acted as the legal representative of a company or corporation whose business license was revoked or which was ordered to close down due to a violation of law and who is personally accountable for the revocation or closure of such company or corporation, and a three-year period has not elapsed since the revocation of the business license of such company or corporation;

(V) who has a significant amount of due and outstanding debts;

(VI) who was being prohibited from participating in securities market by the CSRC and such barring period has not elapsed;

(VII) other circumstances specified by the laws, regulations or departmental rules;

(VIII) other conditions designated by the relevant laws and regulations in the jurisdiction where the Company shares are listed.

Any Director, Supervisor, General manager and other senior management of the Company shall observe laws, administrative regulations and the Articles of Association, and shall fulfill the following obligations of diligence to the Company:

(I) to exercise the rights conferred by the Company with due discretion, care and diligence to ensure the business operations of the Company comply with national laws, administrative regulations and economic policies and are within the business scope specified in the business license;

(II) to treat all shareholders impartially;

(III) to keep informed of the business operations and management of the Company;

(IV) to sign written confirmations of the regular reports issued by the Company and to ensure the information disclosed by the Company is true, accurate and complete;

(V) to honestly provide the Board of Supervisors with relevant information, and not to prevent the board of supervisors or supervisors from exercising their functions and powers;

(VI) any other obligations of diligence stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Any Director, Supervisor, General manager and other senior management of the Company shall fulfill the following obligations of diligence to the Company:

(I) not to enter into any contract, transaction or arrangement with the Company, unless otherwise required by the Articles of Association, or without prior informed approval of the general meeting;

(II) not to use their position to procure business opportunities for themselves or others that should have otherwise been available to the Company or operate for their own benefits or manage on behalf of others businesses similar to that of the Company, without prior informed consent of the general meeting;

(III) not to accept bribes or other illegal income by advantage of its duties, or embezzle on the Company's properties;

(IV) not to accept and possess commissions for transactions with the Company;

(V) not to disclose any secret of the Company without permission;

(VI) not to use their connected relations to damage the interests of the Company;

(VII) not to misappropriate the Company's funds, or deposit the Company's assets or funds into an account opened in its or other's name; not to lend the Company's funds to others or pledge Company's properties for shareholders of the Company or other individual person without prior consent of the general meeting or Board meetings as required in the Articles of Association;

(VIII) any other obligations of honesty stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

Any income of any said person in breach of this provision shall be owned by the Company; if such breach causes loss to the Company, said person shall be liable for compensation.

If any Director, Supervisor, General manager or other senior management of the Company breaks its duties to the Company, then, in addition to various rights or remedies required by laws and regulations, the Company shall have a right to:

(I) require said Director, Supervisor, General manager or other senior management to compensate the Company for any loss caused by its breach of duties;

(II) withdraw any contract or transaction entered into between the Company and said Director, Supervisor, General manager or other executive, and any contract or transaction entered into between the Company and a third party (when the third party is aware or is supposed to know that said Director, Supervisor, General manager or other senior management of the Company has broken its duties to the Company);

(III) require said Director, Supervisor, General manager or other senior management to surrender the proceeds from breach of duties;

(IV) recover the amounts received by said Director, Supervisor, General manager or other senior management, which should have received by the Company, including but not limited to commission;

(V) require said Director, Supervisor, General manager or other senior management to refund the interest incurred or to be incurred on the amounts that should have been received by the Company.

The Company shall enter into a written contract with Directors, Supervisors and senior management of the Company in respect of remuneration, with prior approval from the General Meeting or the Board of Directors.

Financial Accounting Policy

The Company develops the financial and accounting system according to laws, regulations and regulatory requirements.

The Board of Directors shall submit the financial reports prepared by the Company as required by the laws, administrative regulations, and the regulatory documents of local governments and authorities, to shareholders at each annual general meeting.

The Company shall not establish other accounting books than those required by laws. The Company's assets shall not be deposited into any account opened in the name of any individual person.

The Company shall publish the financial reports at international or overseas standards twice an accounting year, that is, publish the semiannual report within 60 days from the end of the first half of an accounting year, and publish the annual report within 120 days from the end of said accounting year.

The Company shall publish results announcements twice an accounting year, that is, publish the semiannual results announcement within 2 months from the end of first half of an accounting year, and publish the annual results announcement within 3 months from the end of said accounting year.

Profits Distribution

To distribute after-tax profits of current year, the Company shall allocate 10% of profits for the statutory reserves of the Company. If the cumulative amount of statutory reserves exceeds 50% of the registered capital of the Company, no further allocation is required. If the statutory reserves are insufficient to make up previous losses, then the Company shall firstly make up losses with current profits, before any allocation is made to the statutory reserves in accordance with the preceding paragraph.

After foregoing provision for statutory reserves, the Company may also draw discretionary reserves from after-tax profits, subject to the resolution of the shareholder's general meeting.

The remaining after-tax profits after loss makeup and provisions for reserves shall be distributed to shareholders in proportion to their shareholding percentages according to the resolution of general meeting.

If the general meeting breaches the foregoing provisions and distributes profits to shareholders before loss makeup and the statutory reserves, then shareholders shall refund the distributed profits to the Company in violation of the foregoing provisions.

The shares held by the Company per se shall not participate in the profit distribution.

The reserves of the Company are used to make up losses, expand business, or increase the registered capital of the Company; however, the capital reserves will not be used to make up losses of the Company.

When the statutory reserves are reversed into capital, the remaining amount of said reserves shall not be less than 25% of the registered capital of the Company before such reversal.

The Company may distribute dividends in the following either or both forms:

(I) cash;

(II) shares.

The amounts paid by shareholders for shares before calls may incur interest, but shareholders may not receive dividends upon the amounts prepaid for shares.

The Company shall pay cash dividends and other amounts in RMB to the holders of domestic unlisted shares. The cash dividends and other amounts to the holders of overseas listed shares shall be denominated and declared in RMB, and paid in HK dollars. The foreign currency needed for the Company to pay cash dividends and other amounts to overseas listed shareholders shall be handled in accordance with the relevant PRC regulations on foreign exchange control.

Engagement of CPA Firm

The Company shall engage a CPA firm which is qualified under the relevant regulations of the PRC to audit the accounting statements, verify the net assets and offer other consulting services, the term of which shall be one year, and may be renewed. The Company guarantees to provide true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials to the accounting firm engaged without refusal, withholding or false information.

The auditing fee of the CPA firm shall be decided by the general meeting.

The engagement, dismissal or non-reappointment of a CPA firm is decided by the General Meeting.

The Company shall send a prior notice to CPA firm, in order to dismiss or not to reappoint the CPA firm, and said CPA firm is entitled to give opinions to the general meeting. The CPA firm, in order to resign, shall make representations whether the Company has any improper affairs to the general meeting.

Merger and Division of the Company

In the event of the merger or division of the Company, a plan shall be proposed by the Company's Board of Directors and shall be approved in accordance with the procedures stipulated in these Articles of Association. The Company shall then go through the relevant approval formality pursuant to the law. Shareholders who oppose the plan of merger or division of the Company shall have the right to request the Company or the shareholders who consent to such plan to purchase their shares at a fair price. The content of the resolution of merger or division of the Company shall constitute special files which shall be available for inspection by the shareholders.

The merger of the Company may take two forms: merger by absorption or merger by new establishment.

In a merger of the Company, all parties to a merger shall sign the merger agreement and shall prepare their respective balance sheets and inventory lists of assets. The Company shall notify its creditors within ten days from the date of passing the merger resolution and to make announcement in newspaper within thirty days. Upon the merger, the creditors' rights and the indebtedness of each merging party shall be assumed by the surviving entity or the newly established company resulting from the merger.

Where the Company is to be divided, its assets shall be divided accordingly. In the event of the division of the Company, the parties to such division shall prepare a balance sheet and a list of assets. The Company shall notify its creditors within ten days from the date of the resolution on such division and shall publish a public notice in the newspaper(s) within 30 days from the date of the resolution on such division. The post-division companies shall be jointly and severally liable for the pre-division debts of the Company, unless provided otherwise in a written agreement pertaining to the payment of debts between the Company and its creditors prior to the division.

Where the Company undergoes a merger or division, changes in the particulars of the Company shall be registered with the company registration authorities in accordance with the laws. Where the Company is dissolved, cancellation of its registration shall be conducted in accordance with the laws. Where a new company is established, it shall be registered in accordance with the laws.

Dissolution and Liquidation of the Company

The Company shall be dissolved and liquidated in accordance with the laws upon the occurrence of any of the following events:

(I) expiry of the valid term of the business or the occurrence of other events of dissolution as stated in the Articles of Association;

(II) a resolution for dissolution is passed by a shareholders' general meeting;

(III) dissolution is necessary due to a merger or division of the Company;

(IV) the Company is revoked of business license, ordered to close or canceled according to law;

(V) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights may petition a people's court to dissolve the Company.

Where the Company is dissolved in accordance with the provisions of items (I), (II), (IV) and (V) above, a liquidation committee shall be formed within 15 days after the occurrence of the event of dissolution to deal with matters of the liquidation. The members of the liquidation committee shall be directors or other persons appointed by a shareholders' general meeting. If a liquidation committee is not established in time, the creditors may apply to the people's court to establish a liquidation committee by their appointment to proceed with the liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(I) to dispose of the property of the Company, and to prepare a balance sheet and a list of properties;

(II) to inform creditors by notice and public announcement;

(III) to dispose of unfinished business of the Company relating to the liquidation;

(IV) to pay up all outstanding taxes and tax arising during the liquidation process;

(V) to clear up claims and debts;

(VI) to dispose of the residual properties of the Company after the full settlement of debts;

(VII) to represent the Company in civil litigations.

The liquidation committee shall notify the creditors within ten days after its establishment, and publish announcements in the newspaper(s) within 60 days. Creditors shall, within 30 days from the date of receiving the notice; or for creditors who do not receive the notice, within 45 days from the date of the public announcement, declare their claims to the liquidation committee.

The creditor shall provide a description and supporting evidence of the matters relating to their claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not make any debt settlement during the period of declaration of claims.

A liquidation plan shall be formulated by the liquidation committee after the stocktaking of the Company's assets has been carried out and the balance sheet and a detailed inventory of assets have been formulated, and shall be submitted to the general meeting or the relevant competent authority for confirmation.

The assets of the Company shall be applied for liquidation in the following order: payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of the Company's debts. The residual assets of the Company after settlement of all liabilities in accordance with the provisions of the preceding article shall be distributed to the shareholders of the Company according to the categories and proportion of their shareholdings.

During the liquidation period, the Company shall not commence any new business activities. Before the Company's debts have been fully repaid in accordance with the provisions of the preceding paragraph, no assets of the Company shall be distributed to its shareholders.

Where the Company is liquidated due to its dissolution and the liquidation committee, having examined the Company's assets and having prepared a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency. Once the People's Court has declared the Company insolvent, the liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation committee shall formulate a report on liquidation, which shall be submitted to the shareholders' general meeting or the People's Court for confirmation, and shall submit such report to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

Amendment to the Articles of Association

The Company may amend the Articles of Association according to the provisions of laws, administrative regulations, and the Articles of Association.

The following procedures shall be followed when amending the Articles of Association:

(I) The Board of Directors shall firstly adopt a resolution for amendment to the Articles of Association and prepare a proposal for amendment to the Articles of Association;

(II) The Board of Directors shall convene a shareholders' general meeting for voting on such proposal thereat;

(III) The shareholders' general meeting shall approve such proposal by special resolution;

(IV) The Company shall submit the amended Articles of Association to the company registration authority for record.

Where amendment to the Articles of Association involves the registered particulars of the Company, application shall be made for alteration of registration in accordance with the laws.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

Our Company was established as a limited liability company in the PRC on July 11, 2019 and was converted into a joint stock limited company on February 23, 2023 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB2,670,000,000.

Our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on April 4, 2023. Ms. Ho Yin Kwan (何燕群女士) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Principal Legal and Regulatory Provisions".

Changes in Share Capital

On July 11, 2019, our Company was incorporated with a registered capital of RMB10,000,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Prospectus:

On November 28, 2022, the share capital of our Company was increased from RMB20,601,378 to RMB20,992,760.

On February 23, 2023, the share capital of our Company was increased from RMB20,992,760 to RMB2,670,000,000.

For more details, see "History, Development and Corporate Structure — Establishment and Development of Our Company". Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this Prospectus.

Resolutions of our Shareholders

Pursuant to a general meeting held on March 26, 2023, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 25% of the total issued share capital of our Company as enlarged by the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association for the purpose of the Company's Listing; and

(d) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Changes in Share Capital of our Subsidiaries

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus:

On October 18, 2021, the registered capital of Guoquan Investment Management (Shanghai) Co. Ltd. (鍋圈投資管理(上海)有限公司) was increased from RMB100,000,000 to RMB200,000,000.

On April 6, 2022, Guoquan Enterprise Management (Shanghai) Co., Ltd. (鍋圈企業管理(上海)有限公司), formerly known as Guoquan Investment (Hainan) Co. Ltd. (鍋圈投資(海南)有限公司), was established with the registered capital of RMB2,000,000.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

1. the investment agreement dated November 28, 2022 entered into among Yang Tongyu (楊童雨), Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)) ("**Suzhou Yizhong**"), Wuhan Renzhe Buyou Equity Investment Partnership (Limited Partnership) (武漢仁者不憂股權投資合夥企業(有限合夥)) ("**Renzhe Buyou**"), GENERATION PI HK INVESTMENT LIMITED ("**Generation Pi HK**"), China Merchants Bank Growth No. 3 Investment (Shenzhen) Partnership (Limited Partnership) (招銀成長叁號投資(深圳)合夥企業(有限合夥)) ("**CMB Growth**"), Zhuhai Growth and Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金(有限合夥)) ("**Zhuhai Gongying**") (collectively, "**Selling Shareholders of Luyi Chengming**"), Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司) ("**Luyi Chengming**") and Guoquan Supply Chain (Shanghai) Co., Ltd. (鍋圈供應鏈(上海)有限公司) ("**Guoquan Supply Chain**"), pursuant to which Guoquan Supply Chain agreed to acquire the registered capital of RMB41,554,111.78 of Luyi Chengming from the Selling Shareholders of Luyi Chengming for a total consideration of RMB261,790,903.00, which was settled by the issue of the registered capital of RMB391,382.00 of Guoquan Supply Chain and the corresponding equity interest in Guoquan Supply Chain to the Selling Shareholders of Luyi Chengming;

2. the fifth amended and restated joint venture agreement of Guoquan Supply Chain ("**Joint Venture Agreement**") dated November 28, 2022 entered into among Yang Mingchao (楊明超), Meng Xianjin (孟先進), Li Xinhua (李欣華), Guoquan Industry (Shanghai) Co., Ltd. (鍋圈實業(上海)有限公司) ("**Guoquan Industry**"), Shanghai Guoxiaoquan Enterprise Management Center (Limited Partnership) (上海鍋小圈企業

管理中心(有限合夥)) ("**Guoxiaoquan EM**"), Shanghai Guoxiaoquan Agriculture Technology Service Center (Limited Partnership) (上海鍋小圈農業科技服務中心(有限合夥)) ("**Guoxiaoquan Tech**"), Shanghai Buyue Ertong Venture Capital Partnership (Limited Partnership) (上海不約而同創業投資合夥企業(有限合夥)) ("**Buyue Ertong**"), Huzhou Buqi Zhiqi Equity Investment Partnership (Limited Partnership) (湖州不器之器股權投資合夥企業(有限合夥)) ("**Buqi Zhiqi**"), Chengdu Quanyi Food Co., Ltd. (成都全益食品有限公司) ("**Chengdu Quanyi**"), FAMOUS WEALTHY LIMITED ("**Famous Wealthy**"), Generation One Holdings Ltd ("**Generation One**"), Suzhou Yizhong, Generation Pi HK, Buhuovc Platinum Limited ("**Buhuovc Platinum**"), Lighthouse Development (HK) Limited ("**Lighthouse**"), Chongqing Zhaoying Langyao Growth Phase II Equity Investment Fund Partnership (Limited Partnership) (重慶市招贏朗曜成長二期股權投資基金合夥企業(有限合夥)) ("**Chongqing Langyao**"), Wang Hongbo, Tiantu China Consumer Fund II Limited (天圖中國消費基金二期有限公司) ("**Tiantu Fund**"), Buhuovc Titanium Limited ("**Titanium**"), Oakwise Consumer Trends Investment Limited (瑞橡新消費投資有限公司) ("**Oakwise**"), Shenzhen Tongfu Trading Co., Ltd. (深圳通福商貿有限公司) ("**Shenzhen Tongfu**"), Shenzhen Xintonglu Supply Chain Technology Co., Ltd. (深圳市新通路供應鏈技術有限公司) ("**Shenzhen Xintonglu**"), Moutai (Guizhou) Investment Fund Partnership (Limited Partnership) (茅台(貴州)投資基金合夥企業(有限合夥)) ("**Moutai Fund**"), Top New Development Limited (達隆發展有限公司) ("**Top New**"), Yang Tongyu (楊童雨), Renzhe Buyou, CMB Growth, Zhuhai Gongying and Guoquan Supply Chain, regarding the shareholders' rights in Guoquan Supply Chain;

3. the joinder agreement dated November 28, 2022 entered into between Guoquan Supply Chain (on behalf of itself and other signing parties to the Joint Venture Agreement) and Chunyu Feifei (Shanghai) Industrial Co., Ltd. (春雨霏霏(上海)實業有限公司) ("**Chunyu Feifei**"), pursuant to which Chunyu Feifei agreed, among others, to be considered as a party to the Joint Venture Agreement, to be entitled to the rights and obligations of "C-2 round investors" as defined under the Joint Venture Agreement, and to be bound by all of the provisions and conditions contained therein;

4. the supplemental agreement to the Joint Venture Agreement dated January 18, 2023 entered into among Guoquan Supply Chain, Yang Mingchao (楊明超), Meng Xianjin (孟先進), Li Xinhua (李欣華), Guoxiaoquan EM, Guoxiaoquan Tech, Buyue Ertong, Buqi Zhiqi, Chengdu Quanyi, Famous Wealthy, Generation One, Suzhou Yizhong, Generation Pi HK, Buhuovc Platinum, Lighthouse, Chongqing Langyao, Wang Hongbo (王紅波), Tiantu Fund, Titanium, Oakwise, Shenzhen Tongfu, Shenzhen Xintonglu, Moutai Fund, Top New, Chunyu Feifei, Renzhe Buyou, CMB Growth, Zhuhai Gongying and Guoquan Industry, pursuant to which shareholders of Guoquan Supply Chain agreed to terminate and amend certain special shareholders rights granted under the Joint Venture Agreement dated November 28, 2022, details of which are included in the section headed "History, Development and Corporate Structure" in this prospectus;

5. the cornerstone investment agreement dated October 17, 2023 entered into among our Company, Jiangsu Hengshun Vinegar Industry Co., Ltd. (江蘇恒順醋業股份有限公司) ("**Hengshun Vinegar**"), Huatai Financial Holdings (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Hengshun Vinegar agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD6,500,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);

6. the cornerstone investment agreement dated October 17, 2023 entered into among our Company, Profit Joy (Hong Kong) Limited (欣鑫(香港)有限公司) ("**Profit Joy**"), Huatai Financial Holdings (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Profit Joy agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD3,500,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);

7. the cornerstone investment agreement dated October 18, 2023 entered into among our Company, Jinding Capital Management (Shenzhen) Co., Ltd. (錦鼎資本管理(深圳)有限公司) ("**Jinding Capital**"), Huatai Financial Holdings (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Jinding Capital agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD10,000,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);

8. the cornerstone investment agreement dated October 18, 2023 entered into among our Company, Great Ceres Fund SPC acting solely for and on behalf of COFCO Capital Special Opportunity Fund 2 SP ("**COFCO Capital Fund**"), Huatai Financial Holdings (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which COFCO Capital Fund agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD8,300,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy); and

9. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
1.	锅圈	PRC	43	58877849	May 6, 2032
2.	锅圈	PRC	35	17964787	November 6, 2026
3.	锅圈	PRC	30	16208866	March 20, 2026
4.	锅圈	PRC	32	16209653	April 13, 2026
5.	锅圈	PRC	31	16209458	April 13, 2026

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
6.	锅圈	PRC	29	16208672	March 20, 2026
7.	锅圈	PRC	33	16209801	March 20, 2026
8.	锅圈	PRC	43	15087828	September 20, 2025
9.	锅圈食汇	PRC	30	63221275	October 27, 2032
10.	锅圈食汇	PRC	30	63223607	September 6, 2032
11.	锅圈食汇	PRC	30	63218381	September 6, 2032
12.	锅圈食汇	PRC	29	63221917	September 6, 2032
13.	锅圈食汇	PRC	31	63218384	September 6, 2032
14.	锅圈食汇	PRC	29	63220231	August 27, 2032
15.	锅圈食汇	PRC	32	63221277	September 6, 2032
16.	锅圈食汇	PRC	33	63220150	September 6, 2032
17.	锅圈食汇	PRC	29	63221847	August 27, 2032
18.	锅圈食汇	PRC	29	63219230	August 27, 2032
19.	锅圈食汇	PRC	29	63221908	August 27, 2032
20.	锅圈食汇	PRC	29	63223631	August 27, 2032
21.	锅圈食汇	PRC	29	63215965	August 27, 2032
22.	锅圈食汇	PRC	43	58880088	April 27, 2032
23.	锅圈食汇	PRC	29	56128942	December 27, 2031
24.	锅圈食汇	PRC	30	56090005	December 20, 2031
25.	锅圈食汇	PRC	32	56124513	December 20, 2031
26.	锅圈食汇	PRC	29	56121398	December 27, 2031
27.	锅圈食汇	PRC	9	46879979	April 20, 2031
28.	锅圈食汇	PRC	43	40778548	August 27, 2030

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
29.	锅圈食汇	PRC	30	40615682	July 6, 2030
30.	锅圈食汇	PRC	32	40612633	April 13, 2030
31.	锅圈食汇	PRC	29	40593242	September 6, 2030
32.	锅圈食汇	PRC	31	40617957	September 6, 2030
33.	锅圈食汇	PRC	33	40612642	April 13, 2030
34.	锅圈食汇	PRC	35	40605179	July 6, 2030
35.	锅圈食汇	PRC	9	39650761	May 13, 2030
36.	锅圈食汇	PRC	30	36300732	November 13, 2030
37.	锅圈食汇	PRC	9	36300688	January 6, 2031
38.	锅圈食汇	PRC	29	36298575	November 13, 2030
39.	锅圈食汇	PRC	35	36300741	November 13, 2030
40.	锅圈食汇	PRC	31	36299037	November 13, 2030
41.	锅圈食汇	PRC	30	23080782	March 6, 2028
42.	锅圈食汇	PRC	32	23081615	March 6, 2028
43.	锅圈食汇	PRC	33	23081169	March 6, 2028
44.	锅圈食汇	PRC	31	23081256	March 6, 2028
45.	锅圈食汇	PRC	29	23080648	March 6, 2028
46.	锅圈食汇	PRC	29	63221369	September 6, 2032
47.	锅圈食汇	PRC	29	63221697	August 27, 2032
48.	锅圈食汇	PRC	30	63217896	November 6, 2032
49.	锅圈食汇	PRC	29	63221691	August 27, 2032
50.	锅圈食汇	PRC	29	63214375	August 27, 2032
51.	锅圈食汇	PRC	31	63221364	September 6, 2032

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
52.	锅圈食汇	PRC	33	63221378	September 20, 2032
53.	锅圈食汇	PRC	29	63215672	September 6, 2032
54.	锅圈食汇	PRC	29	63222317	August 27, 2032
55.	锅圈食汇	PRC	29	63222301	August 27, 2032
56.	锅圈食汇	PRC	30	63214389	November 6, 2032
57.	锅圈食汇	PRC	32	63219343	September 6, 2032
58.	锅圈食汇	PRC	29	58116074	February 27, 2032
59.	锅圈食汇	PRC	35	58099638	November 6, 2032
60.	锅圈食汇	PRC	29	56121730	January 27, 2032
61.	锅圈食汇	PRC	29	56106798	January 27, 2032
62.	锅圈食汇	PRC	30	56092340	November 6, 2032
63.	锅圈食汇	PRC	32	56086562	December 27, 2031
64.	锅圈食汇	PRC	9	51998064	October 6, 2031
65.	锅圈食汇	PRC	33	52026423	August 20, 2031
66.	锅圈食汇	PRC	31	52021630	August 13, 2031
67.	锅圈食汇	PRC	29	51997121	October 20, 2031
68.	锅圈食汇	PRC	39	52001621	August 27, 2031
69.	锅圈食汇	PRC	20	52016768	August 27, 2031
70.	锅圈食汇	PRC	30	52003277	October 13, 2031
71.	锅圈食汇	PRC	32	52003307	August 20, 2031

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
72.	锅圈云铺	PRC	9	40720959	May 13, 2030
73.	四块砖	PRC	29	38580416	February 6, 2030
74.	四块砖	PRC	30	33100213	May 13, 2029
75.	大酱出川	PRC	30	29780507	January 20, 2029
76.	大酱出川	PRC	30	64123612	October 27, 2032
77.	大酱出川	PRC	30	64105669	October 27, 2032
78.	澄明七个番茄	PRC	29	39350260	April 20, 2031
79.	澄明七个番茄	PRC	29	51384805	September 6, 2031
80.	澄明七个番茄	PRC	30	44711769	October 27, 2031
81.	澄明七个番茄	PRC	30	51366019	August 27, 2031
82.	澄明要得	PRC	29	55391961	November 13, 2031
83.	澄明要得	PRC	29	57207246	December 27, 2031
84.	澄明要得	PRC	30	55410342	November 13, 2031
85.	澄明要得	PRC	30	57209029	December 27, 2031
86.	澄明要得	PRC	32	55404665	November 13, 2031
87.	澄明	PRC	9	56122277	December 20, 2031
88.	澄明	PRC	29	60140259	October 6, 2032
89.	澄明	PRC	29	44707625	August 6, 2031
90.	澄明	PRC	29	51377413	August 27, 2031
91.	澄明	PRC	30	51364659	August 27, 2031
92.	澄明	PRC	30	60140643	October 6, 2032
93.	澄明	PRC	35	56126875	February 20, 2032
94.	澄明要得七个番茄	PRC	29	45468438	January 13, 2031

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
95.	澄明要得七个番茄	PRC	30	45476595	February 20, 2032
96.	澄明要得烧菜香	PRC	29	46674421	February 13, 2032
97.	澄明要得烧菜香	PRC	30	46674439	February 13, 2032
98.	澄明要得	PRC	30	59825723	November 13, 2032
99.	澄明要得	PRC	29	59812264	November 13, 2032
100.	和一永鲜	PRC	29	55674123	January 27, 2032
101.	卜加水	PRC	29	54922181	October 20, 2031
102.	怺 鲜	PRC	30	54117523	December 20, 2031
103.	和一户晓	PRC	35	51455175	August 6, 2031
104.	和一户晓	PRC	29	51442022	July 20, 2031
105.		PRC	29	51009431	June 27, 2031
106.		PRC	30	51024010	August 13, 2031
107.	牛吉鲜	PRC	29	45529054	January 6, 2031
108.	怺鲜	PRC	29	38726473	May 6, 2030
109.	丸吉弹	PRC	29	62280014	July 13, 2032
110.	滑吉鲜	PRC	29	62274546	July 13, 2032
111.	丸术	PRC	29	59293638	March 6, 2032
112.	丸大胖	PRC	29	59027374	March 6, 2032
113.	天天丸	PRC	29	59037520	June 6, 2032
114.	滚来滚趣	PRC	29	53831640	September 27, 2031
115.	丸来丸去	PRC	29	10812422	July 20, 2033
116.	锅圈	PRC	39	63794501	June 13, 2033
117.	锅圈食汇	PRC	30	65650954	July 27, 2033

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
118.	锅圈食汇	PRC	29	65665436	July 27, 2033
119.	锅圈食汇	PRC	21	65655278	July 27, 2033
120.	锅圈食汇	PRC	18	65665448	July 27, 2033
121.	锅圈食汇	PRC	11	65674690	July 27, 2033
122.	锅圈食汇 好吃不贵	PRC	29	65668631	July 27, 2033
123.	锅圈食汇 好吃不贵	PRC	25	65655260	July 27, 2033
124.	锅圈食汇 好吃不贵	PRC	21	65654852	July 27, 2033
125.	锅圈食汇 好吃不贵	PRC	18	65674680	July 27, 2033
126.	锅圈食汇 好吃不贵	PRC	16	65668642	July 27, 2033
127.	锅圈食汇	PRC	25	65654863	July 27, 2033
128.	锅圈食汇 好吃不贵	PRC	11	65650938	July 27, 2033
129.	锅圈食汇	PRC	16	65670490	July 27, 2033

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
130.	锅圈食汇	PRC	43	N/203649	April 25, 2030
131.	锅圈食汇	PRC	35	N/203648	April 25, 2030
132.	锅圈食汇	PRC	31	N/203647	April 25, 2030
133.	锅圈食汇	PRC	30	N/203646	April 25, 2030
134.	锅圈食汇	PRC	29	N/203645	April 25, 2030
135.	锅圈517	PRC	35	64722645	January 27, 2033
136.	锅圈517	PRC	39	64702269	January 27, 2033
137.	和一黄白花	PRC	29	65704019	February 20, 2033
138.	锅圈快手菜	PRC	29	57799911	January 27, 2032
139.	锅圈快手菜	PRC	35	57829191	January 27, 2032
140.	锅圈快手菜	PRC	30	57805997	January 27, 2032
141.	锅圈食汇 好吃不贵 锅圈食汇 好吃不贵	Hong Kong (China)	11, 29, 30, 32, 33, 35, 43	306151842	May 23, 2033

Copyrights registered

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Registered Owner	Registration Number	Registration Date
1.	Guoquan Shihui (鍋圈食匯)	Artwork	Zhengzhou Guoquan Shihui Network Technology Co., Ltd. (鄭州鍋圈食匯網絡科技有限公司)	Guozuodengzi (國作登字) -2017-F-00379333	April 10, 2017
2.	Guoquan Shihui LOGO (鍋圈食匯 LOGO)	Artwork	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	Guozuodengzi (國作登字) -2021-F-00160870	July 16, 2021
3.	Guoquan Shihui, tasty and value-for-money (鍋圈食匯,好吃不貴)	Artwork	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	Guozuodengzi (國作登字) -2019-F-00879772	September 9, 2019
4.	Guoquan Shihui 3D Image (鍋圈食匯3D形象)	Artwork	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	Guozuodengzi (國作登字) -2022-F-10127908	June 28, 2022
5.	Chengming Food LOGO (澄明食品 LOGO)	Artwork	Sichuan Chengming Food Co., Ltd. (四川澄明食品有限公司)	Guozuodengzi (國作登字) -2020-F-01043803	July 8, 2020
6.	Packaging with seven tomato and one pot of soup (七個番茄一鍋湯包裝)	Artwork	Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司)	Guozuodengzi (國作登字-2020-F-01212504	December 25, 2020
7.	Trademark of Chengmingyaode (澄明要得商標)	Artwork	Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司)	Guozuodengzi (國作登字-2020-F-00014964	December 8, 2020

Software Copyrights registered

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1.	Chengming declaration system	Sichuan Chengming Food Co., Ltd. (四川澄明食品有限公司)	2022SR0456558	April 12, 2022
2.	Guoquan Cloud office oa management system (鍋圈雲辦公oa管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0221109	March 6, 2019

No.	Copyright	Registered Owner	Registration Number	Registration Date
3.	Guoquan Cloud Supplier Management System (鍋圈雲供應商管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0170087	February 22, 2019
4.	Guoquan Cloud Supplier Management System (鍋圈雲供應鏈管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0170096	February 22, 2019
5.	Guoquan Cloud B2B Mall System (鍋圈雲B2B商城系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0173817	February 22, 2019
6.	Guoquan Cloud cms customer management system (鍋圈雲cms客戶管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0174458	February 22, 2019
7.	Guoquan Cloud tms management system (鍋圈雲tms管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0174456	February 22, 2019
8.	Guoquan Cloud Fixed Assets Management System (鍋圈雲固定資產管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0170236	February 22, 2019
9.	Guoquan Cloud oms management system (鍋圈雲oms管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0168310	February 21, 2019
10.	Guoquan Cloud EPR management system (鍋圈雲EPR管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0168316	February 21, 2019
11.	Guoquan Cloud wms management system (鍋圈雲wms管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0162510	February 20, 2019
12.	Guoquan Cloud Food Traceability Management System (鍋圈雲食品溯源管理系統)	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	2019SR0158110	February 20, 2019
13.	Guoquan Shihui APP Mall System (鍋圈食匯APP商城系統)	Our Company	2020SR0499620	May 22, 2020
14.	Guoquan Cloud Fixed Assets Management Software (鍋圈雲固定資產管理軟件)	Our Company	2019SR1444525	December 27, 2019

No.	Copyright	Registered Owner	Registration Number	Registration Date
15.	Guoquan Cloud Supplier Management Software (鍋圈雲供應商管理軟件)	Our Company	2019SR1443331	December 27, 2019
16.	Guoquan Cloud B2B Mall Software (鍋圈雲B2B商城軟件)	Our Company	2019SR1443324	December 27, 2019
17.	Guoquan Cloud EPR management system (鍋圈雲EPR管理系統)	Our Company	2019SR1444511	December 27, 2019
18.	Guoquan Cloud cms customer management system (鍋圈雲cms客戶管理軟件)	Our Company	2019SR1442285	December 27, 2019
19.	Guoquan Cloud office oa management system (鍋圈雲辦公oa管理軟件)	Our Company	2019SR1444520	December 27, 2019
20.	Guoquan Cloud tms management system (鍋圈雲tms管理軟件)	Our Company	2019SR1442276	December 27, 2019
21.	Guoquan Cloud wms management system (鍋圈雲wms管理軟件)	Our Company	2019SR1444314	December 27, 2019
22.	Guoquan Yunpu delivery management software (鍋圈雲鋪報貨管理軟件)	Our Company	2019SR1443308	December 27, 2019
23.	Guoquan Cloud contract management platform software (鍋圈雲合同管理平台軟件)	Our Company	2019SR1442290	December 27, 2019
24.	Guoquan Cloud oms management system (鍋圈雲oms管理軟件)	Our Company	2019SR1443318	December 27, 2019
25.	Guoquan Cloud Food Traceability Management Software (鍋圈雲食品溯源管理軟件)	Our Company	2019SR1444320	December 27, 2019
26.	Guoquan food safety management software (鍋圈食品安全管理軟件)	Our Company	2019SR1442281	December 27, 2019
27.	Guoquan Shihui APP Mall System (鍋圈食匯APP商城系統)	Our Company	2021SR1118080	July 29, 2021

Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Application Acceptance Date	Patent Grant Date
1.	A screening device for preparing beef pellets (一種牛丸製備用篩選裝置)	ZL202123390024.7	Utility model	Wanlai Wanqu	PRC	December 31, 2021	July 5, 2022
2.	A flower cutting machine for beef ball processing (一種牛丸加工用切花機)	ZL202123400727.3	Utility model	Wanlai Wanqu	PRC	December 31, 2021	July 5, 2022
3.	Unqualified product rejection mechanism for beef ball packaging line (牛肉丸包裝線用不合格產品剔除機構)	ZL202123369389.1	Utility model	Wanlai Wanqu	PRC	December 30, 2021	July 5, 2022
4.	Inner packaging line screening mechanism for beef ball production (牛肉丸生產用內包裝線篩選機構)	ZL202123374507.8	Utility model	Wanlai Wanqu	PRC	December 30, 2021	July 5, 2022
5.	A beating system for preparing beef balls (一種牛丸製備用打漿系統)	ZL202122226085.3	Utility model	Wanlai Wanqu	PRC	September 15, 2021	August 5, 2022
6.	Beef pellet extrusion molding equipment (牛丸擠出成型設備)	ZL202122226187.5	Utility model	Wanlai Wanqu	PRC	September 15, 2021	August 5, 2022
7.	Beef ball meat paste processing device (牛丸肉泥加工裝置)	ZL202122219064.9	Utility model	Wanlai Wanqu	PRC	September 14, 2021	August 5, 2022
8.	Beef ball aging and sorting mechanism (牛肉丸熟化分揀機構)	ZL202122218564.0	Utility model	Wanlai Wanqu	PRC	September 14, 2021	April 5, 2022
9.	A cycle time-controlled equipment for meatball cooking (一種循環控時式肉丸熟化設備)	ZL202320054913.6	Utility model	Wanlai Wanqu	PRC	January 9, 2023	June 27, 2023
10.	A device for beef pellet screening (一種牛丸篩選裝置)	ZL202223557907.7	Utility model	Wanlai Wanqu	PRC	December 30, 2022	August 8, 2023

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Application Acceptance Date	Patent Grant Date
11.	A meat grinder discharging tray with adjustable discharging granularity (一種可調節出料粒度的絞肉機出料盤)	ZL202320127766.0	Utility model	Wanlai Wanqu	PRC	January 12, 2023	June 27, 2023
12.	A multi-portion automatic dispensing equipment (一種多份等量自動分裝設備)	ZL202320222103.7	Utility model	Wanlai Wanqu	PRC	February 15, 2023	August 8, 2023
13.	An easy-to-clean meat puree beater (一種便於清洗的肉泥打漿機)	ZL202320120224.0	Utility model	Wanlai Wanqu	PRC	January 17, 2023	June 27, 2023
14.	Beef ball and meat grinder (牛丸肉泥研磨機)	ZL202320167867.0	Utility model	Wanlai Wanqu	PRC	February 9, 2023	August 8, 2023
15.	A conveying mechanism for hot pot bottom material with inner packaging (一種帶有內包裝的火鍋底料輸送機構)	ZL202123126425.1	Utility model	Luyi Chengming	PRC	December 14, 2021	May 6, 2022
16.	A kind of beef oil tank for hot pot bottom material production (一種火鍋底料生產用牛油化油池)	ZL202123126424.7	Utility model	Luyi Chengming	PRC	December 14, 2021	May 6, 2022
17.	An anti-blocking pipeline component for filling hot pot bottom material (一種火鍋底料灌裝用防阻管路組件)	ZL202123126380.8	Utility model	Luyi Chengming	PRC	December 14, 2021	May 6, 2022
18.	A conveying system for conveying hot pot bottom material (一種用於火鍋底料輸送的輸送系統)	ZL202122967939.3	Utility model	Luyi Chengming	PRC	November 30, 2021	May 6, 2022
19.	A production line for hot pot bottom material (一種火鍋底料生產線)	ZL202122970711.X	Utility model	Luyi Chengming	PRC	November 30, 2021	May 6, 2022
20.	A pot for hot pot bottom material frying device (一種火鍋底料炒料裝置用鍋具)	ZL202122968335.0	Utility model	Luyi Chengming	PRC	November 30, 2021	May 6, 2022

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Application Acceptance Date	Patent Grant Date
21.	A pasteurization equipment for the production of tomato hot pot bottom material (一種用於番茄火鍋底料生產的巴氏消毒設備)	ZL202121572408.8	Utility model	Luyi Chengming	PRC	July 12, 2021	December 24, 2021
22.	A water-cooling and air-drying device for tomato hot pot base material pasteurization production line (一種用於番茄火鍋底料巴氏消毒生產線水冷風乾裝置)	ZL202121563873.5	Utility model	Luyi Chengming	PRC	July 11, 2021	November 30, 2021
23.	An adjustable extraction bracket (一種可調節的萃取支架)	ZL202121497956.9	Utility model	Luyi Chengming	PRC	July 2, 2021	January 25, 2022
24.	A constant temperature food extraction device (一種恒溫的食品萃取裝置)	ZL202121472103.X	Utility model	Luyi Chengming	PRC	June 30, 2021	January 25, 2022
25.	A food grade extraction device (一種食品分級萃取裝置)	ZL202023264035.6	Utility model	Luyi Chengming	PRC	December 30, 2020	October 19, 2021
26.	A test tube fixing device for sample extraction (一種樣品萃取用試管固定裝置)	ZL202023247325.X	Utility model	Luyi Chengming	PRC	December 29, 2020	October 22, 2021
27.	A food extract quantitative device (一種食品萃取液定量裝置)	ZL202023234250.1	Utility model	Luyi Chengming	PRC	December 29, 2020	October 22, 2021
28.	A food extraction device with stirring function (一種帶有攪拌功能的食品萃取裝置)	ZL202023229139.3	Utility model	Luyi Chengming	PRC	December 29, 2020	October 22, 2021
29.	A hanging basket unloading mechanism for beef processing (一種牛肉加工用吊籃卸料機構)	ZL202221241132.X	Utility model	Luyi Heyi	PRC	May 23, 2022	November 15, 2022
30.	A storage and storage hanging basket for frozen beef (一種牛肉冷凍用出入庫吊籃)	ZL202221242598.1	Utility model	Luyi Heyi	PRC	May 23, 2022	October 14, 2022

No.	Patent Name	Application No.	Application Type	Patent Owner	Place of Registration	Application Acceptance Date	Patent Grant Date
31.	Transit double deck conveyor for beef processing (牛肉加工用中轉雙層輸送機)	ZL202221051238.3	Utility model	Luyi Heyi	PRC	May 5, 2022	October 14, 2022
32.	Beef processing and meat transfer vehicle (牛肉加工送肉轉運車)	ZL202221051239.8	Utility model	Luyi Heyi	PRC	May 5, 2022	October 14, 2022
33.	Wave self-cleaning gutter for food processing workshop (食品加工車間用波形自清潔水溝)	ZL202221022607.6	Utility model	Luyi Heyi	PRC	April 29, 2022	October 14, 2022
34.	Frozen meat slicer (凍肉塊切片機)	ZL202122973961.9	Utility model	Luyi Heyi	PRC	November 30, 2021	April 29, 2022
35.	Protective gear storage cabinets for meat processing plants (肉製品加工廠用護具儲存櫃)	ZL202122971612.3	Utility model	Luyi Heyi	PRC	November 30, 2021	April 29, 2022
36.	Beef block cutting and transfer equipment (牛肉塊切割轉運設備)	ZL202122831338.X	Utility model	Luyi Heyi	PRC	November 18, 2021	June 10, 2022
37.	Tumbling Systems for Beef Processing (牛肉加工用滾揉系統)	ZL202122819638.6	Utility model	Luyi Heyi	PRC	November 17, 2021	April 29, 2022
38.	An equipment for material package packaging auxiliary (一種料包封裝輔助設備)	ZL202320054907.0	Utility model	Luyi Chengming	PRC	January 9, 2023	July 7, 2023
39.	A self-heating hotpot packaging box (一種自熱火鍋包裝盒)	ZL202320310772.X	Utility model	Luyi Chengming	PRC	February 24, 2023	August 4, 2023
40.	A leak-proof hotpot base material package and its packaging equipment (一種防洩漏的火鍋底料包裝及其封裝設備)	ZL202320310775.3	Utility model	Luyi Chengming	PRC	February 24, 2023	August 4, 2023
41.	A tomato paste pulping and filtering device (一種番茄醬打漿過濾裝置)	ZL202320449819.0	Utility model	Luyi Chengming	PRC	March 10, 2023	September 15, 2023
42.	An anti-drip device for hot pot base filling (一種火鍋底料灌裝防滴裝置)	ZL202320553021.0	Utility model	Luyi Chengming	PRC	March 21, 2023	September 15, 2023

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date
1.	cmspcn.com	Sichuan Chengming Food Co., Ltd. (四川澄明食品有限公司)	June 20, 2018
2.	gqgyl.net	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	September 4, 2018
3.	guoquanwang.com	Henan Guoquan Supply Chain Management Co., Ltd. (河南鍋圈供應鏈管理有限公司)	February 25, 2015
4.	guoquan.cn	Our Company	May 27, 2016
5.	guoquan.wang	Our Company	October 18, 2021
6.	gqsh.cc	Our Company	October 13, 2021
7.	gqsh.vip	Our Company	October 13, 2021
8.	guoquanwx.com	Our Company	August 11, 2021
9.	guoquan.com	Our Company	December 16, 2002
10.	guoquancdn.com	Our Company	July 13, 2021
11.	zzgqsh.com	Our Company	August 14, 2017

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the Global Offering and Conversion of Domestic Unlisted Shares into H Shares, assuming that the Over-allotment Option is not exercised, the interest and short position of each of our Directors, Supervisors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interests in our Company

Shareholder	Position	Nature of Interest	Number and Class of Shares[(1)]	Approximate Percentage of Shareholding in the Relevant Class of Shares shortly after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
				(%)	(%)
Mr. Yang[(2)(3)]	Founder, Chairperson of the Board, executive Director and chief executive officer	Interest held jointly with other persons	417,182,699 H Shares	23.31	15.23
		Interest held jointly with other persons	881,420,916 Domestic Unlisted Shares	92.85	32.18
Mr. Meng[(3)]	Co-founder, executive Director and executive vice president	Interest held jointly with other persons	881,420,916 Domestic Unlisted Shares	92.85	32.18

Notes:

(1) All interests are long positions.

(2) Guoquan Industry has been owned to 55.61%, 37.07% and 7.32% by Mr. Yang, Mr. Meng and Mr. Li, respectively since its establishment. Mr. Yang is therefore deemed to be interested in the 881,420,916 Domestic Unlisted Shares held through Guoquan Industry. Guoxiaoquan EM is owned as to i) 80% by Mr. Yang as its general partner and ii) 20% by Mr. An as its limited partner, each an executive Director of our Company. Guoxiaoquan Tech is owned as to i) 44.09% by Mr. Yang as its general partner; ii) 0.6% by Mr. Li as its limited partner and iii) 55.31% by three Independent Third Parties as it limited partners. Therefore Mr. Yang is deemed to be interested in 331,595,457 H Shares and 85,587,242 H Shares converted from Domestic Unlisted Shares held through Guoxiaoquan EM and Guoxiaoquan Tech, respectively.

(3) On July 16, 2019, Mr. Yang, Mr. Meng and Mr. Li entered into a concert party agreement which was supplemented on March 1, 2023, pursuant to which Mr. Meng and Mr. Li have agreed and confirmed that during the period starting from July 16, 2019 to the date when they cease to be our direct or indirect Shareholder, they have acted and will continue to act in concert in respect of the management and operations of our Company by aligning their votes in accordance with Mr. Yang's decisions when exercising their rights as Shareholders of the Company prior to December 2021 and as shareholders of Guoquan Industry since December 2021 when their direct interests in the Company were reflected at the level of Guoquan Industry. Therefore, under the SFO, Mr. Meng and Mr. Li is deemed to be jointly interested in the Shares held by Mr. Yang in Guoquan Industry.

2. Disclosure of Interests of Substantial Shareholders

(a) Interest in the Shares of Our Company

For information on the persons who will, immediately following the completion of the Global Offering and Conversion of Domestic Unlisted Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders".

(b) Interests of the Substantial Shareholders of Other Members of Our Group

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group:

	Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
1	Luyi Heyi Meat industry Co., Ltd. (鹿邑縣和一肉業有限公司)	Shanghai Niuxian Roupin Partnership (Limited Partnership) (上海牛鮮肉品合夥企業(有限合夥))	49.00%
2	Luyi Chengming Food Co., Ltd. (鹿邑縣澄明食品有限公司)	Henan Chengming Management Service Center (Limited Partnership) (河南澄明管理服務中心(有限合夥))	11.70%
		Henan Yixiang Management Service Center (Limited Partnership) (河南溢香管理服務中心(有限合夥))	11.00%
3	Luyi County Wanlai Wanqu Food Co., Ltd. (鹿邑縣丸來丸去食品有限公司)	Hainan Jiumu Enterprise Management Center (Limited Partnership) (海南久木企業管理中心(有限合夥))	49.00%

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts

Each of our Directors has entered into service contracts with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "*Directors, Supervisors and Senior Management*" and "Appendix I — Accountants' Report — II Notes to The Historical Financial Information — Directors' and Chief Executive's Remuneration" for the three financial years ended December 31, 2020, 2021, 2022 and the four months ended April 30, 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Disclaimers

Saved as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in "*Qualification of Experts*" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "*Qualification of Experts*" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$800,000 for acting as a sponsor for the Listing.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CM Law Firm	PRC Legal Advisor
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

Consents of Experts

Each of the experts referred to in "*Qualification of Experts*" in this Appendix has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

Compliance Advisor

We have appointed Somerley Capital Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. Hong Kong stamp duty will apply at the current standard rate of 0.26% on the higher of the consideration paid for, or the market value of the Shares being sold, purchased or transferred, whether or not the sale or purchase is effected on or off the Stock Exchange. For further information in relation to taxation, see "Appendix III — Taxation and Foreign Exchange — Hong Kong Taxation".

No Material Adverse Change

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since April 30, 2023.

Binding Effect

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

(a) within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Restrictions on Share Repurchases

For details, see the sections headed "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this Prospectus.

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company comprised all of the 25 then shareholders of our Company as at February 20, 2023 before our conversion into a joint stock limited liability company:

No.	Name
1.	Guoquan Industry
2.	Guoxiaoquan EM
3.	Famous Wealthy
4.	Chongqing Langyao
5.	Chengdu Quanyi
6.	Generation One
7.	Buyue Ertong
8.	Generation Pi HK
9.	Guoxiaoquan Tech
10.	Titanium
11.	Buhuovc Platinum
12.	Suzhou Yizhong
13.	Tiantu Fund
14.	Chunyu Feifei
15.	Shenzhen Xintonglu

No.	Name
16.	Shenzhen Tongfu
17.	Top New
18.	Buqi Zhiqi
19.	Lighthouse
20.	Oakwise
21.	Mr. Wang Hongbo
22.	Moutai Fund
23.	Renzhe Buyou
24.	CMB Growth
25.	Zhuhai Gongying

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents of Experts"; and

(c) a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.zzgqsh.com** during a period of 14 days from the date of this Prospectus:

1. the Articles of Association;

2. the Accountants' Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this Prospectus;

3. the audited consolidated financial statements of our Company for the financial years ended December 31, 2020, 2021, 2022 and four months ended April 30, 2023;

4. the report from Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this Prospectus;

5. the material contracts in "Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts";

6. the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — Consents of Experts";

7. the service contracts referred to in "Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — Service Contracts";

8. the legal opinions issued by CM Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "*Industry Overview*" in this Prospectus; and

10. a copy of the PRC Company law, together with unofficial English translations.

鍋圈食品（上海）股份有限公司

GUOQUAN FOOD (SHANGHAI) CO., LTD.